The retiring of the Gold Notes in June 1916 and the payment of the $2,651,000 debt of the estate now freed the Cargill Elevator Company from any entanglement with the remaining businesses still held by the family's Cargill Securities Company. There were a number of these still limping along in various stages of difficulty. These go out of our story at this point, not being really related to the Cargill companies' histories. The various Cargill Securities businesses subsequently did demand much time and money—and worry—on the part of family members. In the cases of John Sr. and Austen Cargill and later John Jr. and Cargill MacMillan, the Cargill Securities businesses were a drain on their Elevator Company time and must have had some effect on their business lives.

For the readers of this book, here in brief outline is what subsequently happened to the more important of the Cargill Securities businesses. Valier, nowhere near being finished at this point, continued to command major attention. The irrigation and settlement projects experienced repeated financial problems, passing through several reorganizations. Engineering problems, a lengthy drought and the post–World War I farm depression led to an exodus of bankrupt farmers. In 1926, John Sr. had to assume management control when the previous manager died. Actual construction was not completed until 1948. The project was finally accepted by the Carey Board in 1953, and ownership was turned over to the Settlers Corporation. The Valier Company (the Conrad Land and Water Company's final name after the several reorganizations) was dissolved in 1955.

The La Crosse and Southeastern Railroad began to face automobile and truck competition for its passenger and freight business, particularly after World War I. "Motorcars"—combined passenger-freight rail cars—were tried, but it was a losing battle. The Great Depression spelled the line's death knell. The I.C.C. allowed a segment to be abandoned in 1933, and other abandonments followed. A portion ran as a branch out of Sparta until the 1970s. But that was the end.

The timberland in British Columbia seemed so promising during World War I, with war needs for lumber high (there were large contracts from Europe for use in trenches). But post–World War I demand was soft. At various times in the early and mid-1920s, Austen Cargill and John Jr. worked there on the grounds, trying to make production pay (a story in later chapters). In 1926 there was a disastrous fire, with significant damage to equipment and felled logs. Even the effort to tow the equipment to Vancouver failed. The tow came apart, some of the equipment sank and the rest was beached. The insurance did not apply because the Cargill agent had put additional equipment (his own) on the tow. The salvage company sued, the tow company sued, there were legal fees and Cargill Securities lost the value of everything. The Company ceased timber production but kept the property until it was sold in the 1960s.

The Mexican timberland had been worked briefly when the revolution intruded in 1916. (John Jr. was affected tangentially by this, a story later in this chapter.) The Cargill Securities Company could not even get on the property until 1920. In the 1930s the land was expropriated by the Mexican government under President Lazaro Cardenas, and again access was lost. When the Mexican Claims Act, mostly concerning confiscation of oil lands, was passed in 1941, Cargill Securities Company filed a claim, and to the surpise of all, in 1943 the families were notified that the Company had been awarded $642,722 (it was valued by the Company, including interest, at $1,375,000). The final amount received, however, turned out to be $300,000.

So the W. W. Cargill investments did not prove to be the bonanza that W. W. exulted about in 1909. The businesses suffered cyclical downturns after World War I, and the returns on all were minuscule. It might have been better had all been sold in 1916, when the upswing from the war would have made this possible (except for the Mexican land, of course). But John Sr. hated to sell any asset, a point of view often seen in later Cargill Elevator Company instances.

Grain and War

The outbreak of hostilities in August 1914 escalated quickly into the Great War, and it increasingly intruded into everyone's lives. The "preparedness movement" had picked up steam in 1915 despite the star-crossed pacifist effort of Henry Ford, who chartered his "peace ship" in December of that year. In January 1916, President Woodrow Wilson began a tour of the country to urge preparedness. The United States stressed its neutral rights, particularly on the seas. In early May 1915, the Germans had issued a warning that the waters around the British Isles were to be a war zone and that shipping would be there at its own risk. Within days, the British steamer *Lusitania* was sunk off the Irish Coast (without any warning), and 1,198 lives were lost, including 124 Americans. As the land war continued into 1916, there were German peace overtures that year, as well as efforts by President Wilson for a conference to end the war. None of these came to maturation, however, and the war continued. Eventually the United States entered the war in April 1917. War and famine, two of the Four Horsemen of the Apocalypse are so often linked together because war almost always involves shattering of the logistics of getting food into people's mouths. There was no doubt that the hostilities would deeply affect the grain trade.

There had been a 13-million-acre expansion in wheat acreage in the United States between 1910 and 1915. Good weather had produced record

wheat stocks in the first two years of the war. Equally abundant harvests by most of the world's other key wheat producers had allowed the various belligerents to meet their wartime needs without fundamentally affecting the supply–demand equations. Thus, the stepped-up purchasing had been accomplished without skyrocketing prices.

However, any euphoria evaporated quickly with the crop year of 1916. Russia's grain exports, always an important factor in pre–World War I days, simply dried up as that country was drawn into the conflict and suffered a series of defeats. In addition, in 1916 there was damaging winter weather and subsequent serious crop disease in the United States. The 1916 harvest of wheat in the country fell from 1.009 billion bushels to 635 million, and total world wheat fell from 3.36 billion to 2.57 billion.[23]

Tremendous maritime losses from the German U-boats (amounting, by December 1916, to some 2.4 million tons) had forced the Allies to turn from Australian grain to that from North America. The British were extraordinarily sensitive to this drop in supply inasmuch as almost all of their bread stocks were imported, some 60 percent from the United States. In October 1916, they established the Royal Commission on Wheat Supplies (RCWS), which also began acting as agent for all of the Allies and became known as the Allied Wheat Executive. One of the historians of wheat noted the implications of this: The RCWS "eventually decided, for practically all of 'open' Europe, how much to buy, where to buy it, how to transport it, and where to send it. Neutrals were 'rationed.' . . . With its enormous resources and powers of bargaining and negotiation, it was a large factor in eliminating normal interplay of supply and demand, and hence normal registration of price, in the world wheat market."[24] Under the Wheat Executive Agreement, the Allies began to pool both their grain needs and their shipping.

The RCWS purchased as many long futures contracts on May 1917 wheat as it could obtain. Indeed, it bought more than needed, and since it wanted actual delivery, the supply out in the field was not enough to fulfill the demand. In short, the Allies inadvertently had worked a corner on May wheat! When dealers scrambled in April and early May to fulfill these contracts, prices for No. 2 red winter cash wheat on the Chicago market shot up from $1.03 (in June 1916) to $3.25. The following day, the Chicago Board of Trade suspended operations in the May futures contract and forced the settlement of outstanding contracts at a mandated price ($3.18).[25]

The Food Riots, February 1917

In mid-February 1917, a series of incidents involving attacks on food peddlers occurred in New York City. Pushcarts were overturned, and some were even burned. The press had a dramatic issue to embroider and wasted no time in escalating the rhetoric. The New York *Evening Post*, reporting on the riots, wrote: "Every face in the mob that was gathered around City Hall steps looked as hungry as the cries asserted. Old women with their shawls and straggling gray hair half falling down raised thin, weak voices; sunken-cheeked women cried; great flabby women had that gray-blue cast that needed but a touch of the biting wind around City Hall to make a picture of starvation." The *New York Times* added, "Women in strike riot cry 'we're starving.' " It was headlines in Minneapolis, too; the *Minneapolis Morning Tribune* began its major article, "Food Riot in East; Women Mob Dealers."[26]

The headlines in the country's newspapers were almost unbelievable. Food riots here in America! By the fourth week of February, distraught groups of housewives were rioting all over New York City, and within a few days the same unruliness broke out in Philadelphia (where the police killed one man and wounded six other people during a food clash on February 22). Angry people in Boston held mass meetings, while others in St. Louis formed a "Feed America First" committee.

One of the historians of that time warned that these were just "highly colored press accounts," that they were "much exaggerated . . . not 'hunger riots.' " Yet it was disconcerting to the grain trade, for much of the venom seemed directed not at the Germans and the war dislocations but at the grain trade itself. The pushcart dealers whose carts had been overturned by the women in those first few days were quick to point out that *they* were not the cause of high prices—it was the "unscrupulous middlemen." The chairman of the St. Louis "Feed America First" committee railed, "There will soon be a revolution in this country. The railroads and trusts are back of these high prices."[27]

Attacks on the middleman had been widespread from far back in history. It was in food marketing—most especially, grain marketing—that these attacks had become so hostile. Farmers had often viewed the middleman (as Henrietta Larson put it) as "a sort of a usurper who was displacing the farmer and destroying the cornerstone of society . . . living in comfort and luxury . . . usually the local grain buyer, with fur gloves and cigarettes, but at times . . . a mythical person who symbolized the heartless monopolies and soulless corporations, the wheat rings and the railroads."[28] Now, with the 1917 food riots, the allegations of the late 19th century were raised once again by the reformers, only this time looking backward from the retail side at this same grain trade middleman. It was a wasteful distribution system, they said, that contained too many intermediate steps, and "marketing reform" was needed to bring down the prices. A number of states instituted investigations of the food marketing system, and there were strong pressures for a "Federal food commission" to advise President

Woodrow Wilson about general food policy, particularly as related to the war effort, and to include as an agenda item "marketing reform."

Back in 1914, Wilson had asked the Justice Department to carry out inquiries into food prices and the food trades, but at that time, no evidence was found of conspiracy to manipulate food prices. In a Justice Department study in December 1916, a nationwide investigation was conducted to determine whether individuals had conspired to boost food prices. Then in February 1917, as the carts were toppling, Wilson had the investigatory role shifted to the Federal Trade Commission (FTC), which began an exhaustive study of the grain trade. A monumental set of volumes was eventually put out by the FTC in the early 1920s, minutely documenting just about every aspect of grain marketing. The FTC investigation could not, however, provide immediate amelioration of the "food riot" problem, nor was it to be completed rapidly enough to identify what should be the Allied food policy in the face of the now-evident shortfall in world grain supply.

The Grain Trade, Wartime Version

The Council of National Defense (CND), established in August 1916 under the Army Appropriation Act of Congress as an arm of the preparedness movement, turned its attention to the food crisis in March 1917. The United States was to enter the war just a few weeks later. Speed was of the essence by this time. Desperately needing an administrative head, President Wilson called upon Herbert Hoover, the famous and highly successful chairman of the Commission for Relief of Belgium, established back in 1914. Hoover returned to the United States in early May 1917 and began drafting proposals for an independent food agency with sweeping powers over procurement and distribution of all food. Enabling legislation was needed to establish the actual War Food Administration; this process became bogged down in an involved set of hearings over several months.[29]

Immediately, there were widespread demands around the country for an embargo on any wheat going out of the country. The users of grain—the millers, the consumer, etc.—were in favor of the embargo. The farmers, naturally, were opposed, as they wanted to keep the escalation in price that shortages at home would bring about. The grain traders should have been indifferent to the embargo on its face inasmuch as their income ostensibly came from handling charges, being "fully hedged." In reality, of course, this was a tempting time to take a position, and a price run-up would have tended to make this more profitable.

With the country's grain marketing in disarray, Herbert Hoover decided to meet publicly with grain trade executives. In April 1917, the Council of Grain Exchanges had sent representatives to Washington to confer with the Secretary of Agriculture, and out of this meeting came the Committee of Grain Exchanges in Aid of National Defense. Julius Barnes, the chief executive of Barnes-Ames Company, one of the major grain exporting firms, headed this committee. On May 17, 1917, the Committee held an emergency meeting with Hoover in Washington. John MacMillan, Sr., was one of the eight people at this meeting, as the representative for the Minneapolis Chamber of Commerce, the Minneapolis grain exchange.

John Sr. was a good choice for this assignment, for he had a strong moral sense of the need for a patriotic response by the American business community to the daunting challenges of the war. He had written John Jr. just a few weeks before, "These are critical days. The outlook is not very clear and it looks more and more serious, and it is a time when no one should allow any personal wishes to interfere with any duty to our country."

At the emergency meeting, Hoover emphasized that he wanted the control of the industry to be accomplished, as far as possible, on a voluntary basis, "showing that business men were as willing to make sacrifices as others." The committee agreed with Hoover that government control of the transportation of food was absolutely necessary and also that it was essential that the government take control of both prices and distribution. Under the "present extraordinary circumstances," the committee continued, a price for wheat should be fixed for the year, and rye should also have a control. The committee felt that corn and oats could probably safely be left to established trading patterns. Finally, the committee agreed that a temporary ban on futures contracts should be extended for as long as the war was in being.

John Sr. wrote a personal letter to Hoover after the May trip and told T. F. Baxter the same day, "We found Mr. Hoover a wonderful man in every respect, having a very broad vision and big enough to know that it is a problem he could not solve by himself." John Sr. expressed to Baxter once more his belief that government control was the only salvation, given the "concentrated character of foreign buying . . . to leave it to competitive methods under existing conditions would put prices so high as to cause social unrest throughout the whole country."

The sentiments of other members of the trade were not so public-minded. Just before he left for the meeting with Hoover, John Sr. himself received a telegram from one influential grain trade executive that read as follows, "Sentiment here strongly favors normal activities of grain exchanges, including speculative futures markets being continued. Prominent members consider Federal Government should immediately assure the people that export of food products will be limited to such surplus as can be spared after caring for domestic requirements. All exports to be

based on government permits. No further government action seems necessary to relieve present situation. Present highly organized and efficient machinery of distribution will thus be preserved."[30]

But such a marketplace view did not hold sway. Hoover subsequently embraced the recommendations of the committee by highly centralizing the logistics of procurement and transportation. And futures trading was banned for the duration of the war.

"War Profits"

For the first several months after the entrance of the United States into the war on April 6, 1917, over the spring and summer of 1917, chaos continued all through the American food industries. The enabling legislation that would put in place Herbert Hoover's recommendations was stuck in political logrolling, and the grain trade, among others, was thrown into a chaos of indecision. The harvest of 1917 was proceeding on schedule, yet the movement to market of this grain was painfully slow, held in abeyance by farmers not wanting to sell and grain merchants not wanting to commit until a price structure seemed more certain. With futures markets already suspended, the rest of the organized markets were in turmoil.

The crux of the argument was whether Congress would mandate both minimum and maximum prices for grain. In the extended battle over these prices, there were rumors that Hoover had backed down on setting a maximum price. John Sr. wrote Barnes, urging the ceiling: "It is quite evident to me that if we should . . . merely have a minimum price and no option trade, that a few large concerns must dominate the grain and milling business of the country; that we will have speculation, not in the way of futures, but in the form of concentrated cash holdings, which will be a greater menace even than the unlimited trading in futures."[31]

John Sr. also wrote to a grain industry economist with additional concerns:

> If Mr. Hoover and the Senate are agreed upon cutting out . . . maximum prices I do not see how it is going to be possible to control prices on grain and keep them within the limits which Mr. Hoover seemed to think so very necessary when we met him in Washington. If there are minimum prices and no maximum prices, I can see no escape from the opening up of the futures markets again, in order to provide some means of hedging both for the grain men and the millers. This would undoubtedly give an opening for the foreigners [the Wheat Export Corporation of the Royal Wheat Commission] to acquire enormous holdings again of futures, with all the possible disturbances which we have witnessed this spring. . . . [With] futures trading stopped a few very strong concerns would control the cash grain markets . . . the future looks rather disturbing.

Although the militant farmers were demanding that no maximum price be set and some members of the grain trade were echoing the same sentiments, John Sr. and others recognized that the specter of runaway prices was so threatening as to make such a price control mechanism a necessity. Consumers simply would not stand for a lack of ceilings on prices.[32]

The farmers, to their surprise, now became targets of hostility from the public, who had come to believe that farmers were profiteering from the war. For example, the intellectual, Stephen Leacock, looking westward from the East Coast, called the prairie farmer a "war drone," amassing his profits for "pianos, victrolas, trotting buggies, moving pictures, pleasure cars, and so on."[33]

In truth, the farmers themselves had not received the benefit of the precipitous price rise that had occurred in the early spring of 1917. Back in March 1917, some 570 million bushels out of a total crop of some 620 million already had left the farms. Thus, nearly 92 percent of the wheat crop had been marketed before the jump in prices. At that point, a speculative fever had seized the markets, fueled by news of a smaller crop, frenetic buying in American markets by the Allies and America's entry into the war in April 1917. The profits from the speculation went to the various units along the chain of marketing beyond the farmer, up to and including the flour miller. As one analyst put it, "It is probably conservative to say that the consumers of the United States paid $200,000,000 more for flour during this first six months of 1917 than would be justified by reasonable margins above the price which the farmers obtained for their 1916–17 wheat crop."[34]

This brought renewed attacks on "the speculators." When the United States senator from Minnesota, Knute Nelson, made a ringing speech along these lines, John Sr. wrote a lengthy letter on May 23, 1917, defending the grain exchanges. Nelson answered right back, brusquely:

> The speculative price of wheat that prevailed on the grain exchanges during the month of April and this month has convinced me that the seed of the difficulty is in those exchanges. Nearly all the wheat was out of the hands of the farmers by the first of April and was in the hands of the middlemen somewhere, either in terminals or in country elevators owned by someone other than the farmer. . . . I wish the exchanges would attempt to control the matter themselves . . . but if the grain exchange will not help, we shall have to find some way to reach the evil.

The senator added an aside, "Instead of writing a letter and giving all manner of excuses, I should be very glad if you and all the other grain men would suggest some proper way to remedy the evil" (he also accused the grain men of "hollering" and "kicking").

Nelson's letter jarred John Sr., and he wrote a four-page answer defending the speculator, without whom "it would be impossible for the grain dealers of the country to finance their purchases of the crop." Nor was the

Representatives of farming interests at a wartime conference in Washington, D.C., 1918. Left to right: G. N. Tittemore, president of the American Society of Equity; E. T. Meredith, publisher of Successful Farming; *T. C. Atkinson, Washington representative of the National Grange; and C. S. Barrett, president of the National Farmers' Union* (courtesy Historical Pictures Service; © Harris & Ewing, 1918).

speculator to blame for the high prices. It was "this enormous demand from the exporters" that was the root problem.[35] Despite John Sr.'s avowal that grain traders like Cargill were just passive recipients of the heightened margins, the facts were unassailable—great profits had been made in the process. When Cargill closed its books at the end of the crop year 1916–1917 on June 30, 1917, the profit of $1,099,292 had broken the $1 million mark, by far the largest profit the Company had ever made.

The audited statements show exactly how this had happened. The outstanding difference was in the trading account, particularly for the Superior terminals, where most of the grain always had been held. The Superior books showed a profit of almost $1.3 million, with two grains accounting for most of this. First, as one might expect, given the Allies' buying spree, the wheat account had done very well, showing a profit of almost $399,000. The largest profit, however, was in barley, where the figure was $812,000.

The reasons for the profit in barley lay in a peculiar situation that emerged because of the war. Wheat was so much the overwhelming favorite of consumers for bread that it became the grain of first choice among the Allies. The most favored of all World War I slogans in respect to food was not that "food will win the war" or even that "grains will win the war" but that "wheat will win the war." But wheat was in shorter and shorter supply, particularly as the U-boat packs began sinking boatloads of grain. By the crop year 1917–1918, one expert wrote that the population of wheat consumers ex-Russia "may be said to have fallen short one loaf of bread in every five of what would probably have been eaten with peace continuing."

Because of this, a number of European governments, and finally the United States too, began urging (none too politely) that millers make a portion of each loaf of bread out of another grain. This could be rye or, particularly, barley. For most of the war, "barley bread" was one of the facts of life and not a very popular one. J. B. Taylor complained at length to Lindahl about the mix: "Barley bread is a failure. The bakers are not using the flour here, their mixture being wheat, white corn flour and rice flour. We have been living on a barley and white flour mixture at home made by our cook, but it is a poor substitute for bread. I used to eat considerable bread, but am not eating one-quarter of what I normally eat, on account of the barley bread tasting like sawdust." Cargill had been adroit enough as a company to recognize early this elevation of barley to its temporarily exalted position as a bread grain of choice, and through the efforts of Prime in Duluth and Cooper in Minneapolis had acquired substantial stocks of barley—thus the large trading profit, far greater than ever before.[36]

The question now arose as to what to do with this profit. A special meeting of the directors was called on June 15, 1917, and at this meeting the regular 7 percent dividend on the preferred stock was declared, together with an extraordinarily large dividend of 45 percent on the common stock outstanding. A small contingency reserve of $52,000 was established, and the remainder, just over $268,000, was transferred to surplus. The net worth of the Company had risen in this year from just over $2.4 million to a total of $2,668,000.

There is little documentation that would give clues as to the reasons for the large dividend. Perhaps it was linked to the 1916 reorganization. For years the Company had had a conservative policy on dividends, had believed strongly in plowing back profits, which Cargill executives felt demonstrated success to the banks. John Sr. long had been cautious about bankers, always concerned that the Company maintain its solid credit rating. For this reason, he always hated to pay a cash dividend in midyear, when credit demands were high. But this year a majority of the large profits

were paid out in dividends—and in June, no less. John Sr. wrote Fred Hanchette:

Now, of course, I presume you understand that this is an abnormal year, something that we have never had anything like before, and probably never will have again. . . . I do not believe that the government is going to force us to do business for nothing or at a loss, but they might put us on a basis where it will not be possible to pay over somewhere between 5 and 6% and I merely mention this so you can take it into account. . . . I am inclined to think that you want to figure to keep a good portion of this dividend in such liquid assets that you could realize on them in case of a condition arising whereby we could not pay any dividends at all.

It was around this time that Fred and Emma bought an expensive house and a prestige car.[37]

The farmers all through the United States were manifestly perturbed that they themselves had not been the beneficiaries of that price spiral of the first six months of 1917, so the hostility of farmer organizations and their press rose markedly. Cargill soon took the brunt of some of these attacks. A Dawson, North Dakota, newspaper published an article in early June 1917 about "why the farmers should have an elevator." The article highlighted eight elevators in North Dakota, "showing how much MORE grain they SOLD than they bought" for the year July 31, 1915, through July 31, 1916 (presumably, inasmuch as the editor had taken the data from the Commissioner of Agriculture and Labor of the state, he had been forced to use the previous year's figures!). Cargill had two of these eight elevators, and their figures showed a large balance on the side of what the newspaper called "SOLD." The implication was that Cargill had profiteered on these sales, perhaps even cheated on inbound weights.

John Sr. immediately demanded a retraction, inasmuch as the newspaper had falsely stated that the report showed bushels sold, whereas the actual report was merely bushels purchased and bushels shipped. John Sr. sent the editor a copy of the report itself, but nothing appeared in the way of a retraction. Finally, late in the month, the editor did agree to make the correction "insofar as the word 'sold' was used in the place of 'shipped.'" Weeks had passed by this time, however, and the thrust of the initial article probably was not much blunted by the tiny retraction.[38]

At least John Sr. had the satisfaction that his interchange with Senator Nelson had not fallen on deaf ears. When a new food bill was being debated in the Senate, Nelson took a central role. Now his vituperation seemed more directed at the milling industry, rather than the grain trade itself. In the hearings on July 9, 1917, he first took a few shots at the millers:

I have no doubt the millers will be satisfied, for they will get their wheat, compared with what the market price would be under ordinary conditions, cheaper than ever . . . it will turn out as it did in the days of the Civil War. We had a lot of contractors who took advantage of our dire straits to bleed the government during that war.

So today there are a lot of these quasi-patriotic citizens who are trying to manipulate the government. . . . I trust that the pirates who are now seeking to bleed the Federal Government and trying to make money in every way they can will find that the future has in store for them something akin to what happened to the contractors of the Civil War.

Later in the day, when asked by a Senate colleague about the grain exchanges themselves, he answered, "While I have sometimes felt very hostile to the grain exchanges, on the whole I see that they are an absolute necessity if they are kept within proper bounds. It is the only public marketplace you have."[39]

The Government Controls Wheat Prices

On August 10, 1917, the Food Control Act was finally passed. Hoover was now officially the Food Administrator, a role he had been playing for five months. The Food Administration Grain Corporation was constituted as the administering agency for grain control, and Julius Barnes was appointed as its head.

The first order of business was a ticklish one, to set the price at which the government would buy the 1917 crop. An independent 12-person "fair price" committee was appointed by President Wilson, and after much acrimonious debate, on August 30 recommended a $2.20 price for No. 1 northern spring wheat at Chicago (with all of the other wheat prices adjusted accordingly). The farmers continued to be outraged with this price over the succeeding months and began castigating Hoover as favoring business interests in his decisions, particularly those of the millers.

Hoover proved to be a master tactician in these constant special-interest battles. At the beginning the millers held considerable bargaining power and used this to demand their own self-regulation. They wanted a separate office in the Grain Corporation, a "milling executive," staffed by appointees out of the industry itself. Hoover, in exchange, exacted a set of buying conditions under which the millers would operate, utilizing the mandated government price. Similar agreements were reached with the elevator operators in a set of conferences between August 15 and mid-September. Hoover wanted absolute control over the movement of grain from the country across the Atlantic to the Allies and also wanted to be able to use the country elevators as storage. He gained the cooperation of the elevator group with a promise of storage charges of 2 cents a bushel per month (technically, 1/15 cent per bushel per day), combined with constraints on direct shipments by farmers. Later in the war, Hoover cut back on the independent power of the millers' representatives in the Grain Corporation.[40]

With these milling and elevator agreements in place, Hoover turned to

There's a man at the door with a package.

Ding Darling, January 27, 1919 (by permission of the University of Iowa Libraries [Iowa City]).

the crucial question, the control of wheat exports. By clever use of a newly established export license system, Hoover assured that no wheat could leave the country without his permission. He adroitly played a sophisticated hand of economic nationalism, balancing the critical needs in Europe for the war (which became even more severe as 1918 began) with the desire to maintain such adequate domestic supplies as would prevent price increases at home. Hoover wanted to free the import of Canadian grain into the United States but at the United States control price, so that the Wheat Export Corporation (the buying arm of the British Royal Wheat Commission) would continue to buy grain from the United States in the quantities that Hoover himself had determined would best align the supply–demand factors within the United States. In a set of obdurate negotiations with the British and Canadians, in which he made it plain to the

British that they would not be allowed to use money they had obtained by loans from the United States to buy outside the United States, Hoover was able to free the Canadian grain on his own terms.

He also mandated that Australian wheat coming into the United States would be purchased only by the Grain Corporation. Some Australian wheat actually was making that 12,000-mile trip, although the distance involved and the shortage of shipping made this an unattractive alternative. On the other hand, Argentina was only 6,500 miles from Europe. Here the problem was complicated by the fact that some Argentine grain in the market at this time seemed to be ending up in neutral countries (the so-called Northern Neutrals). The Allies wanted to restrict these Neutrals to approximately their own food needs as there was always the possibility that grain would be shipped through the Neutrals into the granaries of the Central Powers. Again, Hoover won the battle on essentially his own terms, with a masterful combination of promises and threats.[41]

With priority demands for the army and navy and the logistics of the food pipeline from the hinterlands to the export points, the winter of 1917–1918 produced severe traffic congestion. At the end of December 1917, Wilson directed the government to take over the management of all of the railroads, appointing William G. McAdoo as director general. During that winter there was a marked shortage of rail cars, with embargoes placed on many users. Here Hoover did not have full control, and accusations were made back and forth between him and McAdoo about who was to receive the blame for the embargoes. By March, the situation had begun to improve.[42]

Cargill's Crop Year 1917–1918

After the huge profits of the previous crop year, it was to be expected that the crop year 1917–1918, all of which was under wartime conditions, would be considerably more constrained. The regulations imposed on the grain trade by Hoover, under the aegis of the Grain Corporation, permitted only small returns on profitability. The overall net income for the company was $125,302, down from $1.1 million the previous year. The net trading income of the Superior terminal grain operation had dropped from $741,000 to $4,133, and so it was all along the line of the various accounts. John Sr. had continued his role as one of the key spokesman for the industry, and in January 1918 was elected national president of the Council of Grain Exchanges, the central organization for the 15 major grain exchanges of the country. His work with the industry gave the Company national recognition and set the stage for later successes. His brother Will, the Chicago professor, also had been called to Washington, in June 1918, to be a member of a scientific commission of mathematical experts who would

confer with counterparts in England and France on theoretical work in reference to artillery and airplane manufacture; later he was commissioned a major in the Ordnance Corps.

The new crop year 1918–1919 looked promising, but John Sr. wrote Fred Hanchette in June 1918, "I am not very optimistic about the future . . . about the best that I think we can hope for during the period of the war is to hold our organization together. If we are able to do that we will be extremely fortunate. Profits in the meantime will be purely a matter of incident, . . . but we will try to get them if we can." The Hanchettes were the most importunate of the shareholders about dividends, and he added, "I have it in contemplation now that we will pay a dividend of 1% on the 30th of June and then possibly another 1% on the 31st of December, if it is absolutely necessary, although I should much prefer to pay no dividends if you do not need the money . . . I wonder if . . . your other income would not be enough to carry you through the year."

John Sr. also wrote Austen Cargill, in July 1918, about the results of the year, "the most unsatisfactory year we have ever known since I have had anything to do with the business." He asked Austen, in the service since January of that year, for far more of a sacrifice than that of the Hanchettes: "I rather think that whatever surplus money you have had better be loaned to the Cargill Elevator Company until the next Liberty Loan comes out, and then take bonds at that time (the proceeds to come from the two percent dividend to be paid at this time by the Cargill Securities Company)." The responses of Fred Hanchette and Austen Cargill to these markedly different proposals from John Sr. are not known; when the directors met on July 8, 1918, they voted the regular cash dividend on the preferred stock (7 percent) and a 5 percent dividend on the common stock, "payment to be made in U.S.A. 4 percent Liberty Bonds." The total of these two drew down the Company's surplus account from just over $268,000 to $205,895.[43]

John Jr. and Austen Go to War

Several junior Cargill employees joined the service at the time of America's entry into the war on April 6, 1917. None of the members of senior nonfamily management actually went into the service itself, although many of them carried important war production responsibilities in their roles as Cargill employees.

Two younger members of the families, on the other hand, saw extensive service in World War I—John MacMillan, Jr., and Austen Cargill. Both took major executive roles in the Company after the war, and the experiences they had during the war affected both measurably.

In the case of John Jr., the experience of being thrown at the age of 22

into a position of central responsibility and the lessons he learned from this assignment fundamentally influenced his own thinking in regard to how organizations should be run. After the war, these experiences were frequently recounted by John Jr. to other executives in the Company, and what he felt were their lessons served as rationale for a number of major changes in Cargill. Especially in this sense, perhaps more so than all of the grain trade implications of the war and John Sr.'s involvement in it, the hostilities in Europe had a seminal influence on the Company in the post–World War I period. For this reason, the story of John Jr.'s wartime experiences needs to be analyzed in some detail here.

The armed services had intrigued John Jr. in childhood. Once the hostilities in Europe began in 1914, he decided while at Yale to enlist part-time in the Connecticut National Guard, training with them over the following winter and spring while attending regular classes. It was a field artillery regiment, and John Jr. enjoyed its technical ballistic challenges. In June 1916, he was promoted to corporal and made "battery agent."

The summer of 1916 was a tense one for the various National Guard units. Just after the beginning of the year 1916, Pancho Villa, a revolutionary freebooting chieftain in opposition to Venustiano Carranza's Mexican government, had been responsible for raids and consequent deaths of Americans on both sides of the border. The particularly brutal murders of 18 American engineers, who were in Mexico to open some abandoned Mexican mines for Carranza, pushed Wilson out of his posture of "watchful waiting," and he ordered a punitive expedition of some 15,000 men to pursue Villa into Mexico. As an additional standby, Wilson called out some 150,000 militia from around the country, stationing them near the border. John Jr. was called to summer service at New Haven in early June, and for a while all the young men in the unit thought they would be heading toward the Mexican border. In the end, they were not sent. Villa was captured, and the expeditionary force was withdrawn at the end of the year. In January 1917, a new Mexican constitution was proclaimed, and Carranza was elected president.[44]

John Jr. returned to Yale in the fall of 1916, and his father began for the first time to write to his son about specific details of Cargill operations. In August, a spectacular fire had destroyed the Company's leased Green Bay elevator (in the process threatening the whole town). Historian John Gruber wrote, "Explosions threw burning timbers and sheet metal in all directions. Tons of grain spilled into the river. The loss was estimated at $345,000." Management immediately pressed the owners to rebuild, and John Sr. wrote John Jr. on November 13 about the financing of the new elevator, warning that "of course you must not repeat that." In 1917 the elevator was again in operation; with later additions in 1924, its capacity grew to 700,000 bushels.

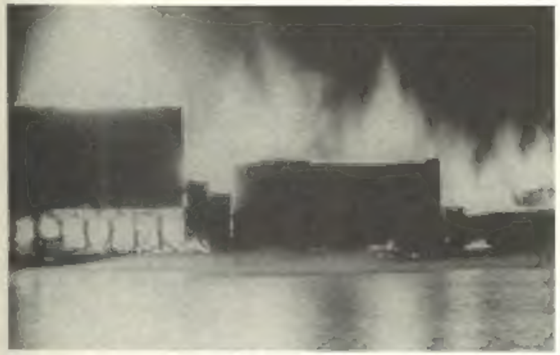
In February 1917, resumption of unrestricted submarine warfare finally forced Wilson to break with Germany, and it seemed as if war was imminent. "The President did the right thing," wrote John Sr. to John Jr. In this same letter, he began to raise the question of possible war service by John Jr., who was still at Yale. He felt that John Jr., with the education and military training he had already had, should be qualified for a commission. "You can be very certain that I will never advise you in any way that would cause you any feeling of shame or lack of patriotic duty," he continued, "but if there is occasion for an army it is equally necessary that men of education and military training should be used to command instead of merely enlisting as privates. Any sound, healthy boy can become a private soldier, but there will be a fearful lack of competent officers."

Within days, John Jr. reported that a "Yale training battery" had been formed at the University and that he had joined it. In April 1917, after war had been declared by the United States, it was announced that a new Reserve Officer's Training Corps camp was to be instituted at Fort Snelling, Minnesota, and John Sr. immediately wrote John Jr. about applying. He called a number of his acquaintances connected with the new endeavor, attempting to move John Jr.'s application along, but he was assured by one of them that "there is nothing in fact I could do that would help you in the slightest degree."

Indeed, John Jr.'s credentials were outstanding—he did not need his father's influence. A first sergeant in the Yale Battalion, he was obviously just the kind of person the armed forces were seeking for officers' training. In May, he joined the initial officers' training class at Fort Snelling and in August 1917 was graduated as a captain in the field artillery. In November 1917, he attended the field artillery's Fort Sill, Oklahoma, "School of Fire," finishing there in late January 1918. The mathematics of artillery continued to appeal to his analytical sense, and while at Fort Sill, he shared several letters with his Uncle Will, the University of Chicago professor, on some of the complexities of firing a shell, particularly as affected by temperature and relative air density.

He next was assigned to the headquarters of the 163rd Artillery Brigade of the 88th Division, under the command of Brigadier General S. M. Foote. He was appointed acting adjutant for the brigade, a position of vast responsibility. His experiences in this position, under the leadership of Foote, were to give him those memorable lessons that he was to take away from the war.[45]

Austen Cargill, meanwhile, also was anxious to get into the fight, and in the early part of 1918, he enlisted in the navy. He was seven years older than John Jr., already in a position of responsibility at Cargill and was married. Austen's enlistment had considerable impact on the organization. F. E. Lindahl, for example, wrote J. B. Taylor at the Minneapolis



A spectacular Cargill elevator fire, Green Bay, 1916 (Neville Public Museum of Brown County).

office, "I certainly admire him tremendously. It is mighty fine of a man in his position, a young married man, to volunteer to go before he is called." Austen, however, did not have the same opportunity for officership that was extended to John Jr., having left college early at the time of his father's death in 1909.[46]

John Jr. Joins the Expeditionary Force

The war excited and exhilarated John MacMillan, Jr. Posted to Camp Dodge, Iowa, where the brigade was in training, he was promoted to adjutant within weeks. He was adept—sometimes devious—in getting things done by skirting the regular channels of the chain of command. For example, having been given the task of searching the ranks for "experts of one kind or another," he approached a colonel in another unit, who "swore that they had no telegraphers or electricians or anything of the sort and that he had no men which he could spare for us." John Jr., not believing the colonel, went to the personnel clerk and, using General Foote's name without permission, perused the colonel's files. "I found out that he had countless former telegraph operators and telephone experts, most of them R.R. men who had worked in Dakota, precisely the kind I was looking for. I at once came back and reported what I had found out to the General who was very much relieved because he had been afraid that no such men were available. Incidentally he was quite peeved at Col. Honeycutt for his unwillingness to comply with our request for men."

Naturally, the colonel was upset at being shown up and "in a quite

The 163rd Field Artillery Brigade, Camp Dodge, Iowa, 1918. John MacMillan, Jr., belonged to this unit.

Major John MacMillan, Jr., c. 1918.

heated manner" demanded that John Jr. go through channels. John Jr. called his bluff: "All I could do was to ask him to step in and see the General with me and make any complaint he had to make through 'the proper channels,' and of course the General backed me up splendidly and quite sharply told the Col. to cease covering up his sins by adopting a policy of secrecy, and that I had standing orders to find out all I could about the personnel of this brigade 'in view of the fact that some of the organization commanders were unwilling to cooperate with him.' "

John Jr. knew he had made an enemy; later he went to see the colonel and "apologized in my nicest manner for my seeming lack of tact, etc., etc. so it seems to have been fixed up splendidly to my advantage. The General later thanked me for my alertness and said that it was the kind of spirit he liked to see, etc."

Late in August 1918, Foote recommended him for promotion to major, which was the army's "table of organization" rank for a brigade adjutant. The rank was confirmed in September, making John Jr. reportedly the youngest major in the United States Army at that time. He was just over 23.[47]

By mid-September, the 88th Division had crossed the Atlantic, and John

Jr. began writing back about his experiences with the Expeditionary Force. The crossing was rough but "have really enjoyed every minute of it," he wrote. His duties were light, but his smattering of Portuguese was useful with the Portuguese crew. "They are decidedly incompetent," he told his mother and father, "their navigation seems to be all right, but they are neither mechanics nor good executives." There were about a dozen officers on board, "three of them are really very nice, the rest are former enlisted men, and quite typical." John Jr., throughout his life and in spite of his father's advice, remained an elitist.

In France the division was billeted near the town of Clermont-Ferrand, in the Departement of Puy-de-Dôme, in the south central part of the country. On one of the first afternoons, John Jr. accompanied General Foote on an inspection tour, stopping also at a chateau overlooking the town. "The C.O., Major Omstad, had been put up at a magnificent chateau owned by the Baron and Baroness of something or other." Later that week, he and General Foote had dinner in Paris, and John Jr. described the trip: "That evening we had a rather amusing incident. Someone said that we must have dinner at Ciros, but we thought we would check up by asking our driver. He replied, 'Why it must be some place, 'cause I take any number of General officers there.' It was some place, as you doubtless know."

A few days later, General Foote, with MacMillan, visited another colonel's unit; in this case, the colonel and his immediate staff were housed in a chateau. John Jr. described this chateau in admiring detail: it was perched on "a strategic promontory, projecting out over a deep gorge, perhaps 200 feet deep and three or four hundred feet wide at the top, so that on three sides there is the gorge with almost perpendicular sides, and on the third side the deep hillside sloping away from the chateau. . . . A deep dry moat has been constructed between the castle and the village." He continued, "It is a tremendous affair . . . the view from it is magnificent . . . the whole effect was remarkable in the extreme . . . you had the feeling that the castle guarded the approaches to the plain from the dark mysterious region above." He then described the organizational configuration effected by the colonel: "One wing of the castle was inhabited, in fact the officers had their quarters with the family who lived there. . . . The rest of the castle was entirely abandoned, and had been so for many many years. It was in this part that the men were quartered. . . . In this case, the men were quite fortunate, being all together where they can be kept under close supervision."

It was not just the beauty and grace of these chateaus (and the life there) that appealed to John Jr.; it was particularly their quality as an organizational billet for troops that engaged him. In later years, John Jr. recalled these experiences often, reiterating the view that General Foote had expressed a number of times, namely, that if he had his small staff around him, in isolation from all of the pressures around, he could lead most effectively. This indelible memory of John Jr, later became an important influence on the Company.

The rather giddy social whirl of the headquarters group continued. In early October 1918, John Jr. elaborated the week's schedule:

Sunday afternoon: Tea at the Chateau Villeneuve
" evening: Theatre with Madame Dumont
Monday afternoon: Tea with the Countess de Choiseul
Tuesday evening: Dinner and theatre with Miss Oglesby
Wednesday afternoon: Official visit to Nevers returning late at night.
Thursday afternoon: Bridge at Mme. Chaffers
Friday evening: Dinner with Mme de Villetre
Saturday 3 P.M. Dedication of a cemetery followed by tea with a French General
Sunday: Tea at Chateau de something or other.

John Jr.'s indelible memory of these chateaus later became an important influence on the Company when the executive officers were moved to the Rand estate (Lake Office) in 1946.

In late October, John Jr. accompanied General Foote on a ten-day inspection trip to the front. Peace notes were being exchanged; John Jr. commented on the response of the men: "I am proud . . . that the general sentiment among officers and men was . . . that they one and all hoped that the war would not end until we were able to carry it into Germany proper. To let the Germans off so easily as to stop the war now would be nothing short of criminal, horrible as the war is." At one point on this mission, John Jr. had the privilege of meeting John J. Pershing, the commander in chief of the American troops, in the process of hearing briefings for Pershing by corps, division and brigade commanders (including Foote). "To say it was interesting would be putting it mildly," John Jr. wrote; "It was the opportunity of a lifetime and I treated it as such, except that I took no notes out of regard to regulations."

John Jr. continued to voice restlessness about the division itself not getting into action: "We are fast rounding into shape, but are just a bit worried over these peace offers. It may be that we never will get to the front . . . of course we are anxious for the war to be over, but I would like to get one good crack at the Germans with our brigade before that time."

In that late October trip to the front with General Foote, he did see some action; in this case, he wrote his Uncle Dan about the details, rather than the family. There were two instances, both involving trips with the general to inspect advanced positions:

One wet muddy afternoon, (it is always wet and always muddy at the front) we were going forward in the General's car to visit an advanced battery . . . when

without the usual warning, which consists in a preliminary noise like the ripping of a huge sheet of silk, a 150mm (about 6 inch) shell burst not fifteen yards in front of us and just off the road. As it was, the ground was very muddy, which partially suffocated or rather smothered it, and our car was merely covered with mud, not a splinter hitting it. . . . the rare luck of it was that the shell had not hit five feet farther on, in which case it would have been the end of us and our car, and of course, it was the road at which they were aiming . . . they do not throw over shells singly, but the rest were fortunately quite a bit over . . .

Another time we were going thru a little village, I say village, it was what had formerly been a village, but was now as flat as the rest of the country when a couple of 77s fell about 200 meters to our right. The corporal, our chauffeur showed a tendency to slow up to watch them, and I was later joshed about my request to him to make haste, but it was fortunate I did so for the next two landed right where we had been not five seconds before. As it was, we did get some of the splinters from them but they merely took the paint off the rear fenders.

In this same letter to Daniel MacMillan, John Jr. commented on his fellow officers and enlisted men:

I am tremendously impressed with the differences between the American soldier and those of these other countries. He is superior in every way (I do not refer to fighting ability, although he is by no means inferior in that). He is far more intelligent, more reliable, cleaner, both physically and morally, and unfailingly cheerful. Our officers on the other hand, although superior in many ways do not have the education, the general education that is, that the European officers have . . . we have exceptions, all of our higher officers are equal to them, but the junior officers are not, and the reason lies I think in our relatively small leisured class. Most of their officers come either from what we would term the leisured class, or else from wealthy manufacturing or banking families, and they are splendidly educated. . . . What it amounts to is that they have a much larger upper class from which to draw than we do . . . we have a much higher average, with relatively few extremes. The Europeans, though, have the extremes far more pronounced than do we.[48]

John Jr. continued to express an amalgam of meritocracy and noblesse oblige—ability and intelligence, enhanced by fine education, should, and will, rise to the top, but this small cadre at the top was likely to come mainly from the upper, "leisured" class, who had an obligation to lead. In his writings in this period, refined more in his later pieces at the time of World War II, John Jr. mirrored a substantial body of thinking of that time about eugenics and the science of human genetics. One of the directions this lively debate had taken just before World War I was over the question of whether peoples' "intelligence quotients" could be measured scientifically. The armed forces answered "yes" and had instituted a massive IQ testing of recruits in 1917–1918, "not primarily for the exclusion of intellectual defectives," said its sponsors, "but rather for the classification of men in order that they may be properly placed in the military service." John Jr. was given the test (scoring in the top levels) but felt "the thing is decidedly bunkum when considering any particular case." He noted that the engineers had the top average, with the artillery next, the infantry and quartermasters following, and doctors and "niggers" at the bottom.[49]

As to the privileges of rank, it was evident that John Jr. was enjoying his field grade: "This being a field officer is great stuff, as it enabled me to get a [railway] compartment all to myself. . . . I have by no means gotten used to my promotion yet, and whenever anyone calls 'Captain' I jump and answer, 'here, sir.' At —— [name censored in letter], which is full of captains and lieutenants of about father's age, I couldn't manage to enter an office with quite the dignity and assurance that my rank demanded, but I am fast learning and by the time I get home trust that I will be able to act as though the world belonged to me."

Several times he wrote of the weight of his responsibilities, "particularly when I realize how exceedingly limited has been my experience in prior military training." He continued, "After all, what is required for my position is not great technical knowledge, but rather balance, judgment and common sense. Judgment, however, is mostly common sense plus experience, so that I must make up in common sense and thought what I lack in experience." He ended another letter: "It is really quite staggering but I have enough of the MacMillan conceit against which Aunt Emma once warned me, to feel confident of my ability to handle it."

His selection by General Foote was a significant independent validation of his intellectual qualities and organizational abilities by this influential outsider. "General Foote must indeed have great confidence in me," he wrote his mother and father, "and I can't tell you how flattered I am each time I think of it. However, I am too busy to do much thinking of it, and it is fortunate that it is that way."

In his last letter from France, just before the Armistice, he wrote of having received a letter from the Yale class secretary detailing the death in action of several of his close friends. Unhappy over this news, he responded in anger and bias: "It seems too sad for words that it couldn't have been some of the Jews who have commissions in the Q.M. and Ordnance instead. By the way, H.Q. of the Service of Supply has three kinds of officers, the busted regulars who are the higher ranking ones, officers who have been wounded and are unfit for service at the front and Jews, particularly the latter. Of course there are exceptions but they are few and far between."[50]

John Jr. returned by troop ship to the United States in early January and soon was mustered out. John Sr. still seemed to harbor concerns about John Jr.'s stability and wrote with a strong word of caution:

I want you to be extra careful not to let down in any way in your morale because you are now leaving the service. You will regret it all your life if you do not hold up the same high standard of work that you have been doing since entering the

army. It is causing a great deal of comment in the newspapers because of the lowered morale that our army officers and men have shown since the armistice was declared,—so I am just passing along a word of caution, as sometimes a steadying hand in a crisis helps one pass over the critical period and I want to be sure that your army record will always stand so high to the very end that you can point to it all your life with the greatest of pride.[51]

Austen Cargill had a somewhat less rarefied service rank. With his natural bent for mechanical devices of any kind, he rose quickly through the ranks to chief petty officer as an enlisted man in the navy. When John Jr. was promoted to major, Austen wrote to him, "needless to say I am proud as punch to know a Major—we gobs aren't used to associating with officers of such a high rank and I don't lose a single opportunity of bragging about it."

Austen had been sent to Columbia University to study the Liberty airplane engine and now was in France. He described his work to John Jr. as "organizing and superintending the operation of a repair shop . . . up to the present we have rebuilt and placed in commission all the aviation motors used by the Navy on this side." It was an assignment he enjoyed very much. He too had been "fortunate enough to seize an opportunity of going up to the front with the Marines." He was now "out of my sailor clothes" and wearing a civilian suit with brass buttons "which causes everyone to take me for a policeman . . . whenever I get to Bordeaux." His wife Anne, writing J. B. Taylor about one of those Bordeaux visits, commented that Austen "had been to dinner at a splendid cafe (trust him!) and to a musical comedy . . . didn't know the name or anything said, but the music was good."

Austen had more difficulty than John Jr. persuading the armed forces to let him out after the Armistice because he had enlisted for four years. John Sr. helped by contacting several officials about the need for him back with the Company. Finally, in mid-1919, he returned.[52]

Cargill MacMillan, too, was away from home during these war years, first at Andover and then at Yale in the fall of 1918. His letters home are in marked contrast to his older brother's—they picture a naive, sweet and obedient younger son, considerably less self-confident than John Jr. He was much more cautious with his money, and in spending his allowance, he was more concerned about his father's disapproval. He provided his father with detailed account books, a tedious task that consumed several hours each time he updated them. Once he mildly complained about the time lost but worried, "Father will think I am lazy." He described an intricate maneuver, carried out with a friend, whereby Cargill could save the 10-cent charge for cashing a check by endorsing it to the friend, who had a no-charge account.

Cargill was superb in his mathematics classes, even tutoring several of

Cargill MacMillan, 1922.

his classmates. One was captain of the (unofficial) military unit that had been formed at Andover in 1917 and rewarded Cargill by arranging his appointment as a corporal, the head of a squad. Later the friend was promoted to acting major, and Cargill wrote, "I want to be his orderly. . . . I could get the job just as easily as not, for if he refused I would tell him that I would not do his trig for him and then I surely would be appointed."

As with John Jr., his father began writing him about the news of Minneapolis. Cargill wrote back, "Your last letter was the most interesting I have received from you yet. You didn't spend the greater part . . . in telling me how to behave." Yet even with this mild response, he felt it necessary to add, "Don't think that I'm objecting to your letters, for I know it is your duty to tell me how to behave."

There is less evidence, however, of serious mentoring letters from John Sr. to Cargill, such as those he had sent to John Jr. Rather, this role began to be assumed by John Jr. For example, in the fall of 1917, Cargill was aspiring for a post on the editorial board of the Andover school newspaper, *The Phillipian*, but had come up against stiff competition from several classmates. Discouraged, he wrote his older brother of his fears. John Jr.'s return letter of advice is revealing, both of Cargill and himself:

I don't want you [to] take the frame of mind that your [*sic*] licked before you're started. If that is the way you go at it you'll never get on . . . force those upperclassmen and men that are on the inside to sit up and take notice of you . . . they don't dislike you or anything of that sort. They just ignore you until you are able to prove that you have something in you . . . if you quit or fail to make the *Phillipian* as I did, largely because I loafed on the job, secure in the conviction that I never had a chance because I wasn't on the inside and up against a stacked deck, it will merely confirm them in the feeling that you are not worth bothering with. I know in making a society just how it works out. You must have one of two things, either be an awfully popular sort, one of the kind whom everybody likes on first sight, or else someone with a lot of ability and push. Now if you once get on the inside they think that you are of the first kind too. . . . I know in these prep school societies they pick men largely on what they think he will do when he gets to college, and you have to show the stuff somewhere. So whatever you do keep on the job.

John Jr. followed with nine specific suggestions for stories for Cargill to write and ended with a characteristic warning, one that he was to apply to himself later in his business life: "Make sure that your managing editor would have use for these . . . but spring them gradually on him . . . ask him to keep secret anything which you might be telling him. Incidentally, keep your standing in the competition a deep dark secret. Never admit how many inches you got in any one issue or what articles were yours, or what your total credit amounts to."

Privately, John Jr. appeared not to have full confidence in Cargill's writing; he wrote his mother, "Just how they can expect to make an editor out of such an illiterate editorial writer as the enclosed editorial makes him out to be, I don't quite see." But he did allow as how Cargill "has the hustle" and ended with a prediction that Cargill would make the board (which he did).

In the fall of 1918, Cargill followed in his brother's footsteps, enrolling in Yale University. By this time, the whole University was on a war footing, with military training dominating. Cargill was excited and proud about his service and wrote John Jr. in October:

We are in the army now . . . Army discipline and all that . . . Y.M.C.A.'s, Red Cross, canteens . . . the hardest to get along with is the discipline. This morning the whole battery spent 2 hours of the hardest scrubbing and cleaning they ever did in their lives. There was not a thing which was not scrubbed or gone over with a damp rag, and Wright Hall was about three times cleaner than it had ever been in its life before. We mopped our floor twice and swept it out four times, washed our windows and about a hundred other things, and then after inspection our battery commander got out in front of the battery and naively informed us that he had to wash his hands after the inspection was over, and if we did not have our rooms cleaner he would confine us to quarters.

His father was tickled, and wrote John Jr., "He is very enthusiastic . . . they have the '*best company*,' the '*best captain*' and 'the *best* drilled' etc. etc. We enjoy his enthusiasm very much."[53]

The Grain Trade at the End of the War

For both Food Administrator Herbert Hoover and the grain trade, the last six months of the war, May–November 1917, were considerably different from the previous year. The problem now was surplus rather than shortage. The 1917–1918 wheat crop was large. At 917 million bushels, it was 44 percent larger than the short crop in the previous year. Hoover saw that he was going to be left with about a 300-million-bushel surplus. The huge crop clogged the terminals and put tremendous financial pressure on the Grain Corporation to purchase all of it at the agreed price of $2.20, which President Wilson had extended in February 1918 to the 1918 crop.

Hoover now engaged in delicate negotiations with England's John Maynard Keynes to persuade the British to take 100 million bushels of imported grain over and above the approximately 100 million bushels already sent abroad from the 1918–1919 crop year. This complicated maneuver, again vintage Hoover economic nationalism, was finally made to work, and Hoover was able to persuade the Allies to pay for their storage costs in the United States even before the grain was shipped. Hoover combined this with a new version of "war bread," which he now persuaded the Allies to redefine as an "80-20 loaf"—in other words, 80 percent wheat and 20 percent other grains. Hoover's war bread was a great improvement over the existing Allied loaf, and the food czars of the various nations readily agreed. In November, by the time the Armistice was declared, the crush on grain storage space had been partially alleviated, and Hoover had gone a long way toward taking care of the huge crop, to everyone's reasonable satisfaction.

The Armistice caught the United States with immense stores of not only grain but of pork, oils and dairy products. These would have to be marketed overseas, in one way or another, if domestic prices were not to collapse. Keynes noted at one point: "The underlying motive of the whole thing is Mr. Hoover's abundant stocks of low-grade pig products at high prices which must at all costs be unloaded on someone, enemies failing allies. When Mr. Hoover sleeps at night, visions of pigs float across his bed clothes and he frankly admits that at all hazards the nightmare must be dissipated."[54]

Thus, the shift to peacetime came to be as sensitive and touchy as was the wartime food buildup; the next chapter will recount this interesting story. For all concerned, though, the Great War was, thank God, over.

Eckelson, North Dakota

CHAPTER SIX

Farmer Discontent, Regulatory Concerns

Reconversion from war is difficult—people want to get back to normal, to forget the heartaches and memories of the hostilities and begin again from the position they held prior to the war. Herbert Hoover's War Food Administration (WFA) was a case in point. Hoover left his post just after the Armistice, going to Europe to work with Woodrow Wilson on the peace plans By January 1919, only residual constraints remained on most commodities; by March, only wheat and sugar were still controlled. Wheat was the big food supply story, for it continued to be regulated over the 18 months after hostilities ceased, agitating a wide array of interest groups—producers, grain traders, millers and, especially, consumers of wheat as bread. These conflicting views generated tensions in agriculture that persisted through the 1920s and into the 1930s.

Farmer hostility against the ceiling price on the 1918 wheat crop ($2.20 per bushel for No. 1 Northern Spring wheat) had pressured Wilson to push for a higher price for the 1919 crop. Under equally sharp pressure to hold the price *down* by labor and consumer groups, he deferred again to his agricultural advisory committee. After more political infighting, Wilson issued a proclamation in September 1918, extending the guaranteed price, a base of $2.26 for No. 1 Northern Spring, to all wheat harvested in 1919. This was just a few cents over the previous year's price. The announcement came just before fall seeding, and the farmers reacted predictably—they planted more. For the five prewar years, 1909–1913, the average area sown to winter wheat had been about 32 million acres; for the 1918 crop this had been increased to 42.3 million acres, and in 1919 over 51 million acres were planted. Spring wheat plantings increased commensurately. As late as June 1919, the estimated yield for the 1919 crop of wheat in the United States was 1.236 billion bushels.

During the next few months, however, the weather turned sour, and the eventual crop was reduced to only 968 million bushels, still the second

largest crop ever harvested in the United States. With the imminent demise of the WFA, Wilson formed the United States Grain Corporation. He persuaded Julius Barnes, the New York grain exporter who had headed the Food Administration Grain Corporation of the WFA under Hoover, to become its wheat director to handle this huge crop.[1]

Barnes brought his own personal opinions to this new task. Both Hoover and Barnes believed the 1919 guarantee was a "positive obligation" of the government (Hoover's words), but Barnes differed by interpreting this solely to maintain minimum prices. His guarantee did not obligate the government to prevent prices rising above $2.26. Inasmuch as the conventional wisdom had predicted a surfeit of wheat in 1919, a drop in prices was perceived as the greatest threat; the floor would keep the farmers happy under such circumstances (even though costing many millions of dollars in government subsidy money). The partisans of cheap bread would not be satisfied, but, wanting to keep grain trading stabilized, Barnes was willing to take the expected criticism from this group. With futures trading still banned, the Wheat Director's ability to prevent prices from dropping below the guarantee did allow the grain trade to regularize its financing without widening their margins unduly.

A successor agency to the War Industries Board was instituted in February 1919: the government's Industrial Board. George N. Peek, a former farm machinery company executive became chairman and joined the side pressing for the lowering of agricultural prices. Barnes won this argument—the floor on prices stayed at $2.26. But within two years Peek surprised everyone by changing from the consumers' to the farmers' side and becoming one of the great protagonists of farm support legislation in the early 1920s.

John MacMillan, Sr., also entered the fray, representing the desire of most of the grain trade for free-market prices when he wrote Barnes in April 1919, "I notice that already vast pressure is being brought to bear upon you . . . but I personally believe it would be a very great mistake to burden the taxpayers of this country unnecessarily by fixing an arbitrarily low price on bread in this country. The country is very prosperous on the whole and I can see no reason why we should have cheaper bread in this country than the world's basis of prices."[2]

As it turned out, the combination of the somewhat smaller crop and the clever management of the export embargo by Barnes kept prices above the $2.26 floor for the remainder of 1919. These high prices were supported by Wilson's Democratic administration. With the approaching presidential campaign of 1920 already on Republicans' minds, however, it seemed to them good politics to defend the consumers by advocating lower prices. Given the historical bias of the GOP toward business, it was incongruous to have one Republican congressman state, "It is an unequal fight between

the rich producers . . . and the weak little woman in calico who is trying to get bread . . . for her little children. As far as the Republican party is concerned, it will be found fighting for the weak little woman in calico."[3]

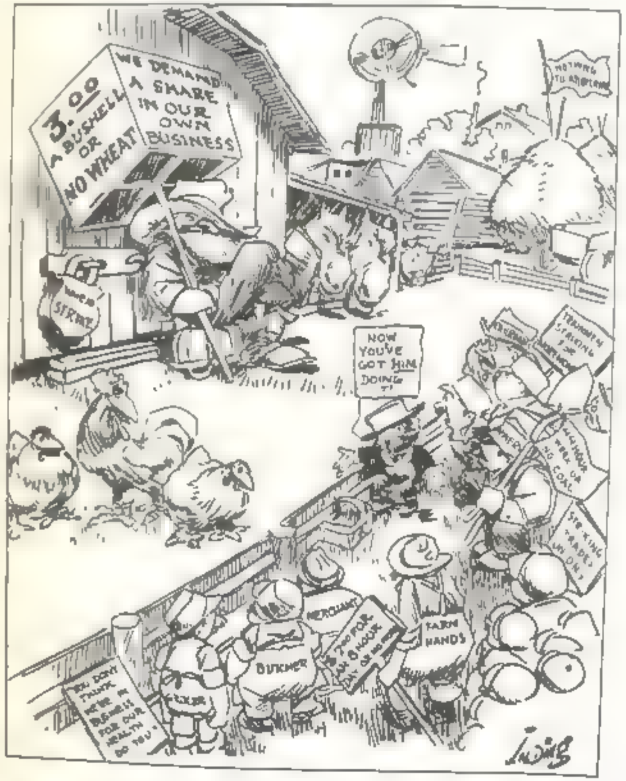
The GOP indeed had hit a sensitive nerve among the public, and a general uproar in the press ensued at this point about "excessive" food prices. Just at this point, the Federal Trade Commission issued its report on price-fixing activities in the meat packing industry. The packers countered accusations of price manipulation by charging that the administration's wheat program really caused the higher price level. Wilson, caught once more in a cross fire, ended by backing Barnes on the Grain Corporation's mandated floor, then reverting to a device he had often used earlier—appointing investigators to "ferret out price gougers." This assignment went to the Justice Department, and Attorney General A. Mitchell Palmer hastened to expose wholesale grocers who were hoarding food. Later that fall, the country's preoccupation with the League of Nations debate left the food question in abeyance although not resolved. Prices rose sharply in the spring of 1920—wheat moved from around $2.30 a bushel in November 1919 to as high as $2.97 in May 1920.

The Wheat Guarantee Act (March 1919) had provided for the termination of the government's purchasing by June 1920. The Grain Corporation began removing many of its restrictions on free trade around the first of that year, and in May the wheat director called a meeting of key grain trade officials to discuss the measures to be taken for the resumption of futures trading. This critical mechanism of the grain trade, not available for over three years, was reinstituted on July 15, 1920. By the fall of 1920, the grain trade had returned to its prewar mode, including the trading of futures.

The record of the War Food Administration and the United States Grain Corporation during the war and immediate postwar period was, in the main, quite positive. Hoover had had an ability to balance the many partisan groups within the United States and then trade these off against the Allies' self-interested demands, all the while maintaining his political capital with President Wilson. His eminently successful act was followed by an equally able effort on the part of Julius Barnes. However, there were lasting legacies from this World War I wheat management program. Most important, the farmers of the United States had had a vivid lesson in the political management of wheat prices. They saw that price management could act as a fulcrum for overall control of the entire wheat picture. Further, the concept of "parity," whereby farm prices would be adjusted to maintain their "equality of purchasing power" relative to overall price levels, began to be espoused as one of the rubrics of agricultural price policy. This notion gained particular currency in 1922 with the publishing of *Equality for Agriculture* by George Peek and General Hugh S. Johnson (see below).

The farmers also came through the war with an intractable hostility toward Hoover, believing he had deprived them of their due from high prices. They saw again the need for an organization as a source of effective political clout, and the American Farm Bureau Federation gained substantial strength out of World War I. Henry C. Wallace, the Secretary of Agriculture from 1921 through 1924, wrote in March 1920, "Mr. Hoover's deceit in dealing with the farmers was in fact the impelling motive for the organization of the Farm Bureau in its later and stronger form. It was Mr. Hoover's efforts to bamboozle the farmers that brought them to see at last that if they were to secure economic justice . . . at the hands of the government, it would have to come through an organization of their own." Farm problems and farmer agitation was now to be a prominent feature of agricultural policy, providing a ringing prelude through the 1920s for the watershed "farm problem" of the New Deal days. Farmers felt a deep

What is sauce for the goose is sauce for the gander.



Ding Darling, October 28, 1920 (by permission of the University of Iowa Libraries [Iowa City]).

resentment at this juncture, yet at the same time they held an underlying psychological mindset that persuaded them that high wheat prices were "here to stay." Historian Tom Gibson Hall, Jr., concluded that "if Barnes was willing to take credit for $3.00 wheat, he must also take credit for creating the false optimism that left farmers unprepared for the farm crisis of succeeding years."[4]

Cargill Elevator Company's War Reconversion

Cargill's performance in the postwar crop year 1918–1919 was adequate, certainly better than in 1917–1918 (in those days the crop years at the Company began on July 1, so part of this year was still within the war period). The Company registered a $578,000 profit, and total sales, all units included, was $55,303,872. Most of these sales and most of the profits came from three units of the organization: the Line Department had sales of just over $12 million, reporting an income of $188,198, the Elevator T account (the Minneapolis terminal) also had sales just over $12 million with profits of $101,280; and the Duluth units (the Superior Terminal Grain Company) had sales of just over $25 million and a profit of $112,452. Special Grains (which traded regular grains separately from the terminals) accounted for just under $3 million in sales, with profits of $17,618. The Seed Division had sold a total of $1.6 million with profits of $13,045, and the physical elevator operations in Elevators K and M in Superior had handling revenues of $403,000, with profits of $173,940. The commission houses and the administrative units accounted for the remainder. The overall Company margin on all of this business was just 1 percent.

The combination of all of the terminals (Duluth, Minneapolis and the leased terminal at Green Bay) had handled 24,948,000 bushels in the crop year 1918–1919, approximately the amount of 1915–1916 (the two intervening years were considerably lower). A chart recording the "average expense per bushel handled" showed about the same figures for the years 1915–1916 and 1918–1919 (1.93 cents versus 1.99 cents), with the two intervening years' figures much heightened by the logistic difficulties of the war period. 1916–1917 was 2.89 cents per bushel; 1917–1918 was 3.11 cents per bushel.

The total number of country elevators had dropped to 140 from the record figure of 189 in 1910–1911. There were no more Wisconsin elevators—the last one, at Bear Creek, was sold in 1916 (only the leased Green Bay terminal remained). North Dakota had the most, with 59 elevators; then Minnesota, with 43; and Montana, with 27 after more additions around Valier. There was a scattering of additional elevators in South Dakota and Iowa. As one reads down the names of these elevators, they present a chronicle of small-town and village America along the railroads at that time. Here we see Hoving, Gwinner, Jud, Colfax, Aneta, Dazey, Forfar, all in North Dakota; Minnesota towns included Dassel, Hawick, Judge, Airlie, Ada, Syre. Among the Montana towns were, of course, Conrad and Valier, also Manson, Merino, Ledger, Pablo. South Dakota towns included Willow Lake, Claremont, Huffton, Iona, McIntire and Struble. Most of these were tiny enclaves, a few were county seats, and all had strong roots in the agricultural regions around them. Today, several of these no longer even exist as towns, as with Conover. The elevators, standing like spires in those scattered, often-isolated towns and villages, gave a permanence and an identifying physical sign, almost as if someone had moved out through the plains to put a "mark" as a signpost along the way. John C. Hudson, describing these in his book *Plains Country Towns*, wrote of the sameness of such centers:

> A grain elevator rises predictably against the horizon, followed by a church steeple or school poking up above the canopy of cottonwoods. Up close, a small cluster of false-front store buildings lines Main Street, with perpendicular rows of white frame houses on one side of the highway and a railroad depot on the other. . . The geometry is more regular when viewed from the air. Individual structures are lost, but the regular spacing of towns along a railroad line that cuts across the rectangular grid of farms and fields is all the more remarkable. It is the dominant settlement pattern in a broad region beginning with the Grand Prairie of Illinois on the east, stretching northwest to the Canadian prairies, south through Texas, and west to the Rocky Mountain front.

The total assets of the Company at this time were over $4.8 million, up from $2.8 million the previous year. The increases came from postwartime inflation in the price level, from the substantial addition to surplus from the year's profits, and from increases in notes payable and accounts payable due to the more active trade of this first postwar year. A 7 percent dividend on the preferred stock had been declared, as well as a 20 percent dividend on the common stock (13 percent of it in Liberty bonds, 7 percent in cash). After the $376,000 dividend payments had been taken from the earnings for this year, the net worth stood at just over $3 million.

All in all, given the arduous period through which the Company had just passed, the 1919 audit report pictured a healthy enterprise. Figures for the 1919–1920 crop year gave much the same picture—there were profits of some $431,000; the preferred stock dividend was paid, and a 10 percent dividend on the common was also included; the net worth was up now to over $3.2 million.

A Peace Treaty, Prohibition, a "Red Scare"

As "regular" as these two years might have seemed to the grain trade, it was not so for the country as a whole, which experienced some national issues of more than passing concern. Internationally, the years 1919 and

1920 were frustrating for the United States. The Versailles Peace Conference led to the establishment of the League of Nations in 1920, but in a stunning repudiation of President Wilson, the Senate turned down America's membership. The Russian Revolution was followed by a civil war during both of these years. There was massive famine in Eastern Europe at this time, and Herbert Hoover again took a central role in Europe as director-general of the American Relief Organization.

At home, the year 1919 opened with an attempted social reform by the electorate. An alcohol prohibition amendment, the 18th to the United States Constitution, was ratified, its passage due in part to anti-German feeling (the brewers were heavily German). Its effect on the nation and on the grain trade as a provider of the ingredients of alcohol was, for the moment, unpredictable. High consumer prices continued throughout 1919 and into 1920, and there was a great amount of industrial tension during these two years. A steel strike spanned both of the years, the New York dock workers went out on strike in 1919; there was even a full-scale bitter general strike in Winnipeg, Canada.

Related to the labor strife but quickly finding a life of its own was the so-called Red scare As an aftermath of the Bolshevik revolution in Russia, the Soviets had instituted an intensive propaganda campaign against the Western nations. The forerunner of the American Communist Party was founded in 1919, and its campaign and those of other organizations with seemingly similar messages (particularly the Industrial Workers of the World—the I.W.W , or "Wobblies") produced a torrent of left-oriented diatribes. The country was in no mood for any new "ism," having just expressed itself by a bitter anti-German outpouring and now was harboring fears of the sudden violence that had overtaken conservative Russia So the reaction to these leftist actions was quick and harsh. Attorney General A. Mitchell Palmer in the Wilson administration was given the charge to, in his words, "tear out the radical seeds that have entangled American ideas . . . the IWW's, the most radical socialists, the misguided anarchists, . . . the moral perverts and the hysterical neurasthenic women who abound in communism." In a series of raids all over the country in early January 1920, large numbers of political and labor agitators were arrested. Later, a number were deported to Russia, including anarchists Emma Goldman and Alexander Berkman.

This ferment had pointed implications for agriculture The *Northwestern Miller* felt it had recognized a link between the Bolsheviks and agriculture right from the start. In an editorial in April 1919, its indefatigable editor, William Edgar, commented: "The forces of Bolshevism . . . do not exist according to geographical units but are scattered wherever discontent, and above all, hunger are found. The weapon with which Bolshevism and its kindred forms of anarchy can best be overcome is bread." Edgar

also highlighted with banner headlines "Winnipeg's Bolshevik strike."[5] Closer to home in the Midwest grain belt, another organization was achieving a high profile for agitation. This was the already-famous Nonpartisan League.

A. C. Townley and the Nonpartisan League

Arthur Townley had been such a successful farmer in North Dakota in 1912 that he was dubbed by railroad land agents "the flax king of the Northwest." But the combination of an early frost and a subsequent unprecedented snow that year, together with a speculative crash in flax prices, wiped him out. His bitterness over this soon led him into political action on the side of the farmers and the formation of the Farmers' Nonpartisan Political League of North Dakota.

The platform was socialist, and as might be expected, the conservative press lambasted the group The *Grand Forks Herald* railed, "while it would be untrue to say that every socialist is a free lover, we know of no advocate of free love who is not an avowed socialist. Most of the men who are of the inner circle in . . . the Nonpartisan League . . appear to have drifted into socialism through failure in every other line of activity. . . . They are socialists not of the conservative, but of the destructive class. . . . Among them are men who are advocates of almost every wild vagary ever put forth under the name of socialism."

But the League cleverly turned the tables by noting that it was the farmers themselves who were being called "free lovers," "failures," and worse. In 1916, the League ran its own candidates in the state elections in North Dakota and, to the amazement of establishment politicians, captured the North Dakota House of Representatives and garnered a respectable minority in the Senate. The business community in the Northwest, aghast at the results, likely shared the sentiments of a businessman quoted in a St. Paul paper: "The Nonpartisan League is a band of Socialists, led by an anarchist, bent on the destruction of the country. It will set the state back twenty years, plunge it into an overwhelming debt, and make it the laughing stock of the nation. If it stays in power past the next election most of the businessmen will leave the state and let the damned anarchists run it to suit themselves."[6]

When the United States entered the World War in 1917, the Nonpartisan League became entangled in the acrimonious debates about pacifism. While the group formally backed the war effort, it did so with enough hesitation to get it enmeshed in controversy. The League had encountered particular hostility in Minnesota. Finally, in February 1918, Townley was indicted in Martin County, the complaint charging that his actions and writings had discouraged enlistments in Minnesota, which was considered

sedition under Minnesota's statute. The case quickly went to the state supreme court, and in July 1918, the League and Townley were exonerated. However, in the process, they lost the public relations battle. Press attacks continued, and Townley was painted as "guilty" all through the area.

Still, the postwar Nonpartisan League appeared threatening to John MacMillan, Sr. He wrote L. F. Gates, the president of the Chicago Board of Trade, in September 1919, that the grain trade had "made a mistake in paying no attention to the charges made by various politicians and agitators" and continued, "I think all of us in the Northwest are quite alarmed over the . . . League. They are spending unlimited money apparently to teach the farmers that they are very badly abused . . . preaching Socialistic doctrines, viz: that the State should take over all the mills and elevators. You can see that if their program succeeds, there will soon be no occasion for grain exchanges or grain merchants." MacMillan apparently had been influenced by his public efforts in Washington with the War Food Administration and now advocated to Gates and others that grain trade people become more involved in public life, particularly in educational efforts aimed at countering the hostile press of the farmer dissidents.

John Sr. also envisaged links between this protest pattern and that of his own labor relations at the terminals. The high cost of living after the war had increased the militancy of the unions around the country, and the Longshore & Marine Workers Union, the predecessor on the Great Lakes of the International Longshoremen's Association, was active in Duluth, particularly among the coal dock employees. No formal contract had yet been signed for grain handlers inside the terminals (a different union, an A.F.L. federal labor union called the American Federation of Grain Processors, finally accomplished this in 1933) Cargill had no direct contractual relationships with any union in Duluth at this time, but Lindahl confided to MacMillan that "Haley [superintendent in a competitor terminal] tells me practically all of his men belong to the union, I think probably three-fourths of ours do, and other plants probably in the same proportion." According to Lindahl, Edward McManus, the superintendent at the Superior terminals, wanted to know "if we said we were going to declare for open shop." Lindahl reported his own reply: "I told him we certainly were and that your instructions to me were that you would not stand for anything but open shop." McManus had said he would resign if Cargill gave a closed shop, because he would "have no powers . . . the Labor Union would dictate and we would never know where we were at."

MacMillan still perceived links between these labor concerns and the overall reform tension, all with financial implications to the firm. He wrote Lindahl later in the year, "We are liable to see riots in any city of the country and in case of a riot starting a conflagration of any kind, no property is insured under an ordinary fire policy." Incidentally, he also told

Lindahl in the same letter that he had just taken out "dust explosion insurance," noting that "this hazard is a much greater one than we had supposed, and I do not feel under the circumstances that we can afford to be without this kind of insurance."

The issue of Townley's alleged disloyalty persisted, and in 1919 he again was indicted, this time in Jackson County, Minnesota, accused of a conspiracy through disloyal statements. When he and another League organizer, Joseph Gilbert, subsequently were found guilty, they took the case to the Minnesota Supreme Court. In 1921, that court upheld the conviction, and Townley was required to serve a 90-day sentence. By this time, the League's fortunes had begun to ebb both politically and publicly with the farmer and the general public—it was no longer a force in the Northwest. However, in the years 1916–1922, the League was a vigorous regional agent for reform in agriculture, and its efforts coalesced with others to bring the farmer through the controls during World War I and into the reconversion days with a strong sense of solidarity and a acute sensitivity to "the farm problem." Others were now ready to pick up the cudgel for the farmer in the early 1920s.

John MacMillan, Jr., Joins the Company

War had taken a toll on 23-year-old John MacMillan, Jr.; he had written his father in December 1918 that he wanted "three or four months' rest" when he came home. The tremendous responsibility at the brigade had weighed heavily on him. Not until April 1919 did he declare himself rested; at this point, he made the decision to join the Cargill Elevator Company. Every evidence points to his enthusiasm for doing this—not since his early Yale days had he mentioned any alternative. Indeed, his aptness for and involvement in his economics courses were strong, positive signs. This must have been a most satisfying moment for John Sr.

John Jr. began working directly on the trading floor of the Minneapolis Chamber of Commerce, mentoring under Hub Owen and taking a long trip into the winter wheat areas of Kansas, Nebraska and Oklahoma with Owen in late May 1919. His assignment was to learn actual *trading* of grain, in its literal sense of taking a position in the market and being responsible for carrying it through to fruition at a profit or loss, subject to the vagaries of the market and the skill of the trader's "feel." This could be a speculative ("naked") position on either side of the market or a form of hedging; in either case, there was a final balance sheet for the trader, a report card that could be explicitly assigned to the individual. Trading had become the sine qua non of the grain trade. Traders were felt to be at the center, to be the most important single group in the grain trade and, typically, receiving salaries and perquisites commensurate with this. John Sr. held this as an

article of faith, and so did the rest of the Cargill organization. And this belief has continued to the present To be considered "not good at trading" was and still is clearly a negative in the business, although the success of grain trading companies, just like other companies, depends on a wide range of other employee skills, too.

John Jr. made a nostalgic visit back to Yale for his reunion in late June. Unfortunately, he picked up a serious case of ptomaine poison complicated by a severe cold and, John Sr. confided to Fred Hanchette, was "a wreck when he reached home." He recovered and in September was sent to Duluth to work directly with Fred Lindahl.

After John Jr. had been there for a few days, he complained to his father that he did not have enough to do to keep himself busy. His father wrote Prime, "I have decided, therefore, to turn over the rye account to him and let him handle that."

Lindahl had handled rye up to this point, and John Sr. hastened to explain to Lindahl just exactly what this meant: "Of course, I will expect you to really take charge of the serious matters in connection with the handling of it, so that you will understand you have the full responsibility, but at the same time, I would like to have him do the real work, for it will be very helpful to him and tend to give him self-confidence. . . . I think John will understand that . . . it is your responsibility just the same, but in order that there may be no doubt about it, I am quite willing you should show him this letter if you so desire."

Apparently this worked well, for Lindahl wrote in early November, "Junior has been doing all right in switching hedges around " Later that month, however, John Sr. became upset about some of his son's trades and wrote directly to him, "I was somewhat startled to read in your letter that you are offering rye on basis of 3½¢ over your Dec in store." John Sr. then outlined his own strategy and continued, "You can see that there is every advantage in holding onto the grain as long as we can earn the carrying cost. I had the matter up with Mr. Lindahl over the telephone this morning." There is no indication in the correspondence in this period that John Jr. resented this intervention by his father; indeed, letters back and forth between the two seemed from the start business-like and free of rancor.

The focus that John Sr. put here on revenues from storage—the carrying charges—is yet another example of his appreciation of the warehousing function in the grain trade. This had been emphasized in the 1945 history, where comparisons were made with the earlier W. W. Cargill organization—"the Cargills had not understood fully the principles of hedging and the carrying charge, and this company had developed as a merchandising rather than a warehousing organization." John Sr.'s prescience resulted in

a strong dedication to the latter function that was to prove so important in later periods.

Just at this time, a new development surfaced relating to the East. The postwar period had brought heightened trade with Argentina, mostly out of the commodity markets in New York City. Cargill finally had decided to send one of its Duluth men, Duncan Frick, to New York City to gain information about the New York Produce Exchange, possibly as an initial move toward opening a full-scale office there. Lindahl had written, "I wish we had a man at Buenos Ayres [*sic*], just at this particular time." Lindahl had been in favor of sending Frick, although he pushed also for consideration of a Winnipeg office as an alternative Lindahl now proposed that John Jr. be sent to New York to assess Frick's work and to learn for himself about how the market functioned there. His father was dubious about sending him with so little experience and wrote Lindahl, "It is a little early yet to do anything of this sort." Finally, John Sr. did agree.

All of this had to be put aside, however, when John Jr. became ill. He had come home to Minneapolis for the Christmas holidays, in the process picking up a bad cold He returned to Duluth in late January 1920 but quickly became much worse and returned to Minneapolis. He was subsequently diagnosed as having a full-scale influenza attack.

The great "influenza crisis" is believed to have begun in the final days of World War I in Spain. It soon became one of those pandemic plagues that occur occasionally, in this case rivaling the worst of these, the "Black Death" medieval cataclysm. It swept over the whole world during the winter of 1918–1919 and returned again the following winter, leaving in its wake vast numbers of deaths. A noted United States epidemiologist recently estimated, with perhaps an unwarranted exactitude, that there was a total worldwide mortality of 21,647,274. The numbers were, of course, impossible to ascertain precisely, accurate estimates for the United States held that something over half a million people in the United States alone had died during those scourge-ridden four months in 1918–1919.

John Jr. took many weeks to recover. By mid-February 1920, he "walked out a few steps," but later that month he had a severe setback in his convalescence with complications to his heart, and a scheduled trip to California had to be canceled. By mid-March he was better, and the California trip (to see the Hanchettes) again was scheduled.

This particular virulent variety of the flu left many people with severe aftereffects. As the complications ran their own course, John Sr wrote Fred Hanchette of the "strong after-effect" experienced by John Jr. It was evident that he was suffering from lingering emotional problems as he departed for California in early March. In mid-June 1920, he left California for the lumber operation in Vancouver, arriving there, as his father wrote

Fred, "a little bit tired out and depressed He said he did not feel able to call up his friends and was taking his meals in his room." (Will Cargill, W. W.'s eldest son, also had been taken seriously ill in 1920 He died in late July; John Sr. had visited him at his bedside and wrote Lindahl, "He seemed delighted to see us. . . . I was very glad that we went down.")

John Jr. worked all that summer at the lumber camp alongside the manager, R. M. Johnston, the old Banner Lumber employee who, after the sale of all but one of the yards for Cargill Securities Company, had been moved to British Columbia During World War I the Allies had used millions of board feet of lumber for the trenches and prices had gained famously This had persuaded John Sr. to attempt commercial exploration of the Cargill Securities property in British Columbia In the fall, Johnston developed serious inner-ear problems, and it seemed as if John Jr. was going to be pressed into taking greater responsibility for the operation in the Vancouver office. John Sr. wrote Austen, "This disturbs me greatly. . . . I do not want to put responsibility onto John until he has had a chance to entirely regain his health . . any nervous disorder, such as he has been having for the past six or eight months, usually takes a long time to become entirely normal . . . the most important thing . . is to get in thoroughly good physical condition." Johnston finally had to leave his job altogether, and Austen Cargill came from La Crosse to replace him. Austen's postwar assignment had been an effort to put the La Crosse & Southeastern Railroad on a paying basis, and he was already on the West Coast searching for a new type of rail car. Fortunately, things finally improved for John Jr., and John Sr. wrote Fred Hanchette, in early December, "It seems remarkable how well that kind of life agrees with him."

The remnants of the illness lasted for John Jr. through 1920 His father wrote him in late December, when John Jr. was thinking of a trip to England, "Just as long as you are a little fearful of your condition, you can be rather sure that you are not entirely well, but I should think that perhaps a little later you will begin to crave seeing people and that will be a pretty good symptom that your system will stand it." John Sr. was recognizing here that the isolation inherent in the lumber camp seemed to be an integral ingredient in John Jr.'s recovery. By the spring of 1921, John Jr. was back in Minneapolis and began to work short shifts at the Company. By May 1922, in a letter to Fred Hanchette, John Sr. reported, "He seems practically well now. . . . I believe he will be quite himself by the time the crop begins to move this fall."

The causes of John Jr.'s malady were likely quite complex and impossible to ascertain fully now. Some of John Jr.'s nervousness had been recognized by his father back in the Andover days The flu epidemic may also have contributed. The result of his difficulties left John Jr. with a lifetime legacy of nervousness and concern about his own health, especially during times of stress and tension in his business life.[9]

Peacetime Problems, Once More

In many ways, the crop year 1919–1920 was a reprise of the previous year. We have no sales figures, but profits were $431,000, down from the previous year but still respectable. The grain trade had begun the return to a competitive mode by January 1920, and John MacMillan, Sr., was again worried that A. M. Prime was taking too many exposed, speculative positions in Duluth. He wrote Prime, "Of course I will be very glad to have you work on cash barley all you like, but I am not willing to go into pure speculation on our May here. . . . I have no objection to your taking on a moderate amount which you will figure to sell out as you buy the cash barley . . I want to do a regular, legitimate business. . . . You can protect yourself against sales of cash by buying the futures, but just merely to buy a line of Mpls May and stand on it as a speculation is entirely against all my theories as to the proper conduct of the grain business." However, John Sr. had retreated from this purely hedged view before, when short-term opportunities for profit surfaced, and that is just what happened again He wrote Prime six weeks later, "Just at the moment I am inclined to keep away from hedges entirely, we are just about to the time of year when the farmers' marketings drop off altogether so that it would seem to me we can afford to take a little chance, especially as the amount of barley that you are long all told is not such an amount as to give us any particular concern."

The year revived other old concerns. The Chicago Board of Trade once more was trying to bring the various exchanges together, and their president wrote MacMillan, "I assure you that Chicago would not wish to dominate in connection with any such campaign if it were possible to bring the trade together." John Sr. would have no part of it, as he was still uneasy about the Chicago crowd. He wrote Prime, "It is much better for you to trade in this market where we know what we are doing and we would get mixed up in Chicago, where we do not understand the factors. . . We have found, however, . . that it is difficult to get in and out, while in Minneapolis we seem to be able to trade freely at all times." In the same vein, he wrote John Jr. a few months later, "I haven't the slightest faith in the Railroad Administration giving any recognition either to Duluth or Minneapolis where the Chicago interests are concerned."

John Sr.'s national stature in the industry had risen markedly during World War I. He was beginning to speak out publicly on many issues relating to the grain trade. In mid-1919, he had written a major letter to the *New York World* about "the causes for the high cost of living." This was a sophisticated economic analysis. He first discussed the imbalances in the supply/demand equation during World War I, relating them to increases in wages under pressure for the "utmost output." While there

had been "some unwarranted profiteering," it was a negligible amount, largely due to greater risks in business. He argued strongly for more production itself, rather than placing export embargoes on America's goods. It was a cogent defense of free trade. In 1920, he was elected second vice president of the Minneapolis Chamber of Commerce, and the following year he assumed the presidency.[10]

The Crash of 1920–1921

The farmers' halfdozen years of prosperity took a turn for the worse, along with the whole economy, in late 1920, a drop so sudden and so severe that thousands of businesses were forced into bankruptcy. One of the most important stories (and far-reaching on patterns of corporate organization in the 1920s) was in the effects of the crash on the automobile industry, where two sharply differing stories occurred at Ford and General Motors, the two giants of the industry. Henry Ford weathered the crisis by ruthlessly pushing out automobiles on sight draft to dealers, abruptly severing supplier contracts, and laying off numbers of management and employees. At General Motors, William Durant was ineptly failing to resolve the same set of difficulties, and his temporizing soon brought General Motors to the brink of bankruptcy. This resulted in the takeover of the corporation by outsiders, led by Pierre DuPont. These people, in turn, called upon Alfred P. Sloan, Jr., and Donaldson Brown to reconstruct the General Motors management philosophy.

Ford continued to run his organization tightly from the top, and eventually this led to great loss of market by that company in the late 1920s. At General Motors, in contrast, Sloan developed the sophisticated, fine-tuned "decentralized operation and coordinated control" that made his organization a model for American industry. Cargill was going through just this same transition all through the 1920s, a subject to be examined in detail in the next chapter.

The farmer was severely hurt in this 1920–1921 downturn. Agricultural wholesale prices sagged sharply from an index figure of 148 in 1918 to 88 in 1921 (1926 = 100). The farmers' return on total investment, almost 11 percent in 1918, dropped to 2.88 percent in 1920, and their relative share of the national income dropped to just over 10 percent in 1921 from more than 21 percent in 1918. The number of farm bankruptcies began to mount, with an upward pattern over the following three years. This rapid deflation for agriculture after World War I drove many farmers out of business, and for the first time in the history of the United States, in 1919 cropping acreage in the country began to decline. By 1924, 13 million acres had reverted by default to grasslands, scrub brush and woodland. In this context, one can understand the farmers' discontent.

John MacMillan, Sr., had seen this coming as early as November 1920, when he wrote John Jr. in British Columbia: "There is no doubt we are in the midst of a business panic and how long it will last I do not know. The only thing that is preventing an entire collapse of business is our Federal Reserve System" (some governmental controls were acceptable to John Sr.!). His forebodings heightened in 1921 when a serious national railroad strike occurred. The results of the 1920–1921 crop year were all too evident. For the first time in the history of the Cargill Elevator Company, since its beginning in 1890, the Company had a loss, a substantial one of over $116,000. The contrast with the profit of over $1 million in the halcyon year of 1916–1917 was not lost on anyone.

Messages of concern from John Sr. went out to all parts of the business. For example, he wrote A. L. Jacobs in Milwaukee, "Make it a point to find out as to the solvency and good standing of every customer that you have." He wrote Fred Hanchette in July 1921, "The banks are very much alarmed over the bad losses the grain trade have sustained this year." He was also worried about the overall situation, and wrote Knute Nelson, a United States senator from Minnesota, "It is an unfortunate fact that professional agitators are out among the farmers attempting to work out all kinds of fantastic schemes." His next comment to Nelson, however, seemed to underestimate the farmers' concerns: "There is no actual demand for this sort of thing from the farmers and they have . . . no means of checking up on the very false information which these agitators are giving."[11]

Austen Cargill had stayed at work in British Columbia after John Jr. left. By the fall of 1921, Austen and his wife had a new baby, and John Sr. wrote Fred Hanchette of their life out there: "He is taking Anne and the baby up to camp for a month. I am afraid they will find it a pretty dreary existence, for the camp now is on floats and they will have no way of getting ashore unless they are rowed ashore, but I do not know that it would help any if they could get ashore, as you will remember from the character of the country." Austen later alluded to this unconventional interlude as an important influence on his life. One story he repeated many times in management training sessions related to the singular influence of the "breaks" or fate on a person's career: "I played pinochle with my wife one time for four months (we were on a raft and never got off it) and I never won a game. I claim that she is lucky at cards. I can't conceive of anybody in a game of pinochle being so much better that in fourteen or fifteen weeks of almost constant playing every night, I could not win a game. I think that's plain luck, but it might not be."[12]

This period seemed to deeply discourage John Sr., as he wrote Fred Hanchette, in February 1922: "These times are so abnormal that I am just as much at sea as you are. We have only had one fair crop in the last six years and I am beginning to wonder if there is not something radically

If anybody gets hungry they'll have to blame it on somebody besides the farmer.

Ding Darling, August 27, 1920 (by permission of the University of Iowa Libraries [Iowa City]).

wrong with the farming situation and whether or not it is going to be possible to continue raising grain."[13]

The FTC Reports on the Grain Trade

A splendid addition to the fund of knowledge about the grain trade occurred in September 1920, with the publication of the first three volumes of the monumental Federal Trade Commission study of the grain trade. Over the next four years, six more volumes were issued. It was an encyclopedic effort by the FTC. The nine volumes totaled some 2,826 pages; given the government's predilection for small print, this was a massive accumulation of words and statistics.[14]

The study had originated in the second half of 1916, when wheat prices had run up alarmingly. President Wilson waited until after the 1916 elections, then announced that the Justice Department would institute an immediate nationwide investigation to see if "speculators" were involved and whether any remedial legislation was needed. At first, the FTC looked narrowly at the meat packing industry, then broadened the scope to cover all foodstuffs, to see if there were possible violations of the antitrust acts, "particularly upon the question of whether there are manipulations, controls, trusts, combinations, conspiracies, or restraints of trade out of harmony with the law or the public interest."

This emphasis on market conspiracies and the focus on the middleman mirrored Wilson's conviction that "at the root of society's social and economic ills was the corrupt individual." The public seemed to approve—"the country is in the mood for an investigation that will be long and deep and thorough," noted the *Chicago Herald*. The FTC was a prestigious agency, and the industry itself, while certainly not welcoming the study, was hopeful that it would, in the words of William Edgar, the omnipresent editor of *Northwestern Miller*, "dispose of the ignorant and silly talk about a 'bread trust.' "

When that first FTC report came out in late 1920, the authors reached a number of conclusions about price spreads, profitability and competitive practices. While they believed that these sometimes had resulted in unfair advantage, in the main the authors were measured in their judgments about any "conspiracies, trusts, etc." Futures trading came in for particular scrutiny, with a number of modest recommendations. The grain futures trading act passed in 1921 appears to have resulted directly from the FTC study; this act was invalidated by the Supreme Court in 1922 and was superseded by a second act in that same year.

A consideration of the specifics of the FTC study will be enormously helpful in gaining a better understanding of grain trading in the 1920s. A section-by-section analysis follows.

The FTC Looks at Country Grain Marketing

The Woodrow Wilson charge to the FTC for this study naturally slanted its interests in certain directions. Farmers had long believed that they had too little control over their marketing, that they had to sell at certain times of the year (which they believed were the worst) because of limited finances, and that they had too few choices on where to take their grain (perhaps only one). The FTC investigators were inevitably preoccupied with matters relating to these questions.

The first volume of the FTC study viewed the start of grain processing, out in the country. The investigators had asked for detailed information

from the grain companies; they eventually had returns from some 9,906 elevators and warehouses, over one-third of all those in the country. These returns gave the government a storehouse of information. One can see here geographical distributions, growth patterns, average capacities, even details about the number of bins per elevator or warehouse, the construction methods used, the advantages and disadvantages of bulk versus sack storage, and so on. There were detailed statistics for all the types of country houses—the line operations, the independents and the cooperatives.

The voluminous statistics that had been accumulated helped to depict more accurately some of these parameters. Some key figures shown in tables 1, 2, and 3 (simplified from the FTC's compendious approach to include primarily the states in which Cargill operated) offer examples.

It was price, of course, that was the focus for any discussion of competition or the lack of it. The FTC particularly scrutinized price information services (the "daily price cards," market telephone and private wire services, etc.). Many farmers believed that some mastermind back at the point of generation of these services was dictating price. Farmers remained concerned about whether they were getting the benefit of the "full" price that

TABLE 1

Elevator Capacities, by Types of Elevators

	Average Capacity (bu)	Cooperatives (%)	Independents (%)	Line (%)	Mill (%)
Iowa	24,428	26	43	29	2
Montana	29,602	24	13	50	11*
North Dakota	33,046	24	15	54	7
South Dakota	25,421	23	26	44	7
Minnesota	26,305	22	19	47	12
Wisconsin	17,119	6	49	14	21*

*FTC error on total

TABLE 2

Average and Most Frequently Recurring Number of Elevators Per Station

	Average	Model figure
Iowa	1.97	2
Montana	2.38	1
North Dakota	3.28	3
South Dakota	3.30	3
Minnesota	2.62	2
Wisconsin	2.10	2

TABLE 3

Average Distance Between Stations

Number of elevators at station	Average distance
1	8.80
2	9.47
3	10.16
4	10.91
5	11.11
6	11.09
7	11.19
8	12.16
9	11.33
10	—
11	11.00
12	
13 and over	4.00
AVERAGE	9.70[15]

TABLE 4

Average Buying Margins

(difference between average daily prices paid by country elevators and the terminal market price, less freight)

	No. 1 northern wheat			No. 3 northern wheat		
	Average price for year in cents per bushel	Average margins in cents per bushel	Average margins as % of average yearly price	Average price for year in cents per bushel	Average margins in cents per bushel	Average margins as % of average yearly price
1912-13	90.50	4.64	5.1	85.86	5.83	6.8
1913-14	89.16	3.24	3.6	85.18	3.52	4.1
1914-15	129.79	5.99	4.6	123.61	8.70	7.0
1915-16	118.71	5.50	4.6	112.23	7.26	6.5
1916-17	199.15	11.55	5.8	186.63	15.03	8.1

their grain should bring or whether some middleman was making inordinate profits in getting the grain from the countryside to the central market. Naturally, the average buying margin was of major interest. There are numerous tables of statistics on these matters throughout these FTC reports; one among many, table 4, gives patterns over time.[16]

Statistics, even detailed ones like these, can provide only an incomplete picture of reality. The FTC investigators also amassed vast quantities of qualitative information; particularly useful were the letters and reports gathered rather grudgingly from the individual companies. In the "country elevator" sections of the FTC report, some 70 pages of these letters

were reproduced, a number of them from Cargill. Here are found revealing letters to and from many companies about competition between towns, bargaining between and among companies on price, actual price wars, and a whole range of letters about grading and dockage, elevation and cleaning charges and the special role of the price bulletins. Local elevator managers built agreements and understandings among themselves, and complex linkages existed between the country elevator and the head offices and terminals. At Northwood, North Dakota, there were six elevators; Cargill ran one of them. One of the managers wrote another about all of them "coming down to list at once" and worried "but the Farmers man [the Farmers Cooperative] may not come down . . . at once but I think he will before long." One of the managers of another company back in Minneapolis wrote Cargill about a third company competing unfairly, that "no storage would be charged in a particular situation. Our agent, learning beyond question that this was true, took a few loads from Mr. Bussee on that plan and wrote us the circumstances." Another manager accused Cargill of doing something of the same: "He began hauling to you, and he presumes you are storing free of charge or at a reduced compensation at Ada."

There were widespread allegations of price shading; one president of a competitor company wrote Cargill, "Another conversation between your agent and a farmer was about to this effect: the farmer asked your agent if he had sold his (the farmer's) wheat, your man said yes, whereupon the farmer remarked: 'then it went down, did it?' So it looks as tho he undertook to sell the farmer's grain at the price before the drop when there is a drop."

There is considerable material on the competitiveness, or lack thereof, among the cooperative elevators. One of the latter instances is noted in an interesting letter from a competitor of a cooperative in Charbonneau, North Dakota, a Victoria Elevator Company man:

> GENTLEMEN: Yours of the 22 instant at hand and note what you say about the Farmers getting most all the wheat.
>
> Please dont think that I am pleased and contented with the way business goes here, there is nothing harder on my nerves and gives me more werreau [*sic*] then when I have to sit around and cant do anything If the future wont turn out any better than the past Then I am sorrow [*sic*] that we ever built here. I have got about $1300 invested in a house I wish both house and Elev. was somewhere else, You may do better by sending some one else here but as long as them Farmers stock holders think they will clear about $100 on a $25 share it is hard to get them to go pass the Farmers Elev.

Sometimes a company, challenged by a competitor for overzealous competitive pressure, would agree to back off. There was a Cargill Elevator Company example of this in the report, when the Company responded to the Northwestern Elevator Company, "We have written our South Shore agent to be particularly careful not to be aggressive with your trade, but to confine his aggressive efforts to the Farmers, more especially." A few months later, Northwestern, in turn, apologized to Cargill: "The trouble at Johnson comes largely from the fact that the two agents do not get along well. . . . I have ordered our men to buy strictly at the arranged price." Part of the problem in this second instance came from a common occurrence—the farmer playing one agent against another: "He takes the next load around to another house and claims that he has been getting the top price and unless the buyer stands pat or is suspicious of his competitor, he justifies himself by paying up. It is the case of the farmer farming the buyer."[17]

While the bargaining power still lay mostly on the buyer's side, the nuances of this competition out in the field were so complicated that the FTC came to no sharply defined conclusions in regard to the country elevators In a small section, buried in the middle of the report, they made a "general statement" about competitive conditions "The summary of the massive information," this section began, "indicates that at the average country marketing station, especially in the northwestern grain States, there is a considerable amount of competition. On the other hand, there are frequently stations or points at which competition is either insignificant or nonexistent on account of local or other agreements among purchasing elevators or other factors." The authors maintained that their "hundreds of letters" on the subject from the files of line elevator companies and independents showed evidence of "either agreements as to country prices, grades, dockages, etc or else such harmonious and cooperative action with reference to these matters as would bring about practically the same elimination of competition as could be secured by more specific agreements." Even here, "it should not be hastily concluded that these methods are in any way peculiar to line elevator companies."[18]

In sum, in country buying there was plenty of competition and also many constraints. The line companies were responsible for some of this, but so were the others The extensive section on margins was confined to what these margins were and how they were affected by various practices (dockage, etc.). The FTC chose not to make any strong concluding statement in regard to the question of whether margins were too great, or greater than competition should allow.

Volume 4 of the study, which came out in 1923, included further information on the country elevators, particularly relating to questions of profitability. Here the FTC tendered some general conclusions about both the country elevators and the terminals. The authors were judicious in weighing the various arguments on margins; they appeared almost to feel themselves caught in the middle, as they wrote:

The size of the spreads of terminal, as well as country middlemen and of those for transportation, suggest that a reduction at all points would be desirable.

A considerable spread to remunerate the country elevator for handling the grain is probably unavoidable. . . . The gross profit or spread required by the country elevator is dependent chiefly on the volume of business, and . . . it decreases with increases in volume. By increasing the volume of business . . . the country elevator spread per bushel could be decreased without making such operations unprofitable.

On the other hand, unless grain production is increased, the volume of grain handled per elevator can scarcely be enlarged without a reduction in the number of elevators. At non-competitive points, where there is only a single elevator . . . a decrease in elevators would involve longer hauls for the farmer by wagon or motor truck, thus increasing his cost of bringing the grain to the elevator.

At competitive points . . . a reduction in the number of elevators would have serious drawbacks, especially where elevators are operated for private profit, as it would result in decreased competition and in lower prices being paid to the grain grower. In the case of the patronage-dividend cooperative elevator, however, competition is of less importance, though desirable, in order to promote efficiency of operation, since these elevators ultimately return everything to their patrons over and above operating expenses.[19]

The FTC Looks at Terminal Management

Two very large volumes on terminal markets were included in the FTC study and again provided a varied compilation of data. Here are superb materials on the development of the primary markets—how each competed against the others for supremacy, what kinds of grain came to each (with detailed statistical summaries) and how such crucial factors as rate setting influenced this development. A long section described the history of the Chicago Board of Trade—the evolution of its rule-making capacities, various controversies and developments over the years in warehouse law, and how the Board policed itself. Other major exchanges were described in some detail—Milwaukee, Minneapolis, Duluth, Kansas City, Omaha, St. Louis, Buffalo and a half dozen others. The structure of the commissions was elaborated; the inspection and weighing mechanisms at the terminals were described in depth, including the relationship between federal and state laws and prevailing practice.

An entire volume dealt with marketing patterns. It explained the carlot movement of grain for each of the major grains, described the operating methods of the commission houses and clarified the merchandising and shipping side of the business. Finally, it noted the financing of this whole complex and described the "grain bulletin" devices, mentioned throughout their country grain analysis. Each of the major bulletins was analyzed, with the relationship of their managers to the industry.

The FTC had access to the papers and books of the corporations involved here as most firms had been forthcoming in providing materials.

The FTC promised that statistics on prices and profitability of individual firms, however, would be held in confidence, and this makes it difficult at this late date to assess the firms' relative strengths.

An excellent section on the Minneapolis and Duluth dealers noted the major firms and their various subsidiaries, with names of the individuals who were in charge. The following people were listed under the Cargill Commission Company: Lindahl, Prime, Austen Cargill, Grimes, John MacMillan, Sr., Harold J. Bates, J. B. Cooper, Fred W. Drum, N. C. Clark and John C. Tresise; under the Cargill Elevator Company were four more, A. F. "Hub" Owen, George Feetham, Robert M. Johnston and John Sr.; the Minneapolis Seed Company had only Daniel MacMillan; finally, the Victoria Elevator Company was mentioned as part of the Cargill interests, an incorrect designation (Robert G. Cargill, its head, was related to the W. W. Cargill family through Sylvester Cargill, W. W. Cargill's brother).

Fortunately, capacity figures for individual companies throughout the entire country and the Minneapolis and Duluth figures shown in table 5 help once again to put Cargill Elevator Company in context.

The total capacity at Buffalo, incidentally, was 24,993,000 bushels; Chicago, 42,783,000; Kansas City, 21,902,000 (no other city had as much as 10 million bushels of capacity; Milwaukee, for example, had just over 7 million bushels).

The FTC described the rivalry among Chicago, Milwaukee, Minneapolis and Duluth for the top post in grain marketing, and the "through rate" structure of railroad and lake rates was also chronicled. The FTC summary of the latter is excellent:

Out of this chaos of preferential competitive rates evolved the present system of proportionals or specifics, combination rates, reshipping rates, transit privileges and export rates . . . determining factors in the establishment of grain markets and channels of grain traffic.

Where markets became "rate breaking points"—such as Chicago and St. Louis—their interest lay in securing a favorable combination of the inbound and outbound rates. Where markets lay in the middle of classification territory—e.g., Minneapolis and Duluth—they were allowed proportional rates and transit privileges in order to compete as forwarding centers for eastern consumption. It has been possible to make or unmake markets by the allowance or withdrawal of what is known as "transit"—that is, the privilege of reshipping grain or its equivalent in grain products on a through rate calculated from producing to consuming territory or to export points.

The "proportional rate" was devised to equalize rates for shipment via one gateway as compared with existing through rates via another gateway. It also provided a through rate basis for certain interior points which were formerly restricted to local rates or a combination thereof.

It enabled shippers already enjoying a through rate via one route to consuming territory to obtain a similar rate via a different junction point or terminal market. It also enabled shippers in producing territory who had never been allowed a through rate to obtain such a rate by combination via a given gateway or basing

point. The existing local rate was replaced by a so-called "proportional" into the junction point, and this proportional was combined with another proportional out of that junction point so as to provide a through-billing. The intermediate gateways or junctions in this rate structure were known as "basing points."

The report was frank about the tension between Minneapolis and Chi-

TABLE 5

Capacity Figures for Companies in Minneapolis and Duluth

Operator	Rated Capacity (bu.)
MINNEAPOLIS	
Public Elevators	
Electric Steel Elevator Co.	4,000,000
St. Anthony Elevator Co.	3,608,000
Monarch Elevator Co.	3,000,000
Bartlett Frazier Co.	2,275,000
Pioneer Steel Elevator Co.	2,000,000
G. W. Van Dusen & Co.	1,800,000
Cargill Elevator Co.	1,800,000
Sheffield Elevator Co.	1,600,000
Union Terminal Elevator Co.	1,500,000
Crescent Elevator Co.	1,500,000
Concrete Elevator Co.	1,250,000
Twin City Trading Co.	1,136,000
Hales & Hunter Co.	1,000,000
Empire Elevator Co.	1,000,000
Other smaller companies	9,012,000
TOTAL	36,481,000
Private Elevators	
G. W. Van Dusen & Co.	2,000,000
Nye, Jenks & Co.	600,000
Other smaller companies	3,694,000
TOTAL	6,294,000
GRAND TOTAL for Minneapolis	42,775,000
DULUTH	
Public Elevator	
Spencer Kellogg & Sons	300,000
Private Elevators	
Consolidated Elevator Co.	11,000,000
Peavey interests	9,000,000
A. D. Thompson & Co.	7,500,000
Cargill interests	4,250,000
Capitol Elevator Co.	2,500,000
Itasca Elevator Co. (later Cargill)	1,300,000
TOTAL Privates	35,550,000
GRAND TOTAL for Duluth	35,850,000

cago traders on rate making. That Minneapolis "demands transit and 'proportional' privileges such as are enjoyed by Chicago, St. Louis, Kansas City and other large reshipping centers and . . . the Minneapolis–Duluth rate in relation to the Minneapolis–Chicago rate is of direct interest to Chicago, and the Minneapolis–Chicago proportional is of direct interest to Duluth." The authors reported that this whole rate structure of the Northwest "is at present in a highly controversial state as a result of readjustments during the period of federal control of the railroads . . . the general increase in rates on June 25, 1918 [due to the war] had materially disturbed the relationship of rates . . . especially in the Northwest." The Minneapolis grain people were particularly disturbed that the Interstate Commerce Commission had altered the "in-transit" rate (the one that allowed intermediate milling to be done in Minneapolis, with the product sent through on the straight rate). There was great turmoil among the grain people of the Northwest about these changes; later, the former in-transit rates were reinstated.[20]

One of the most interesting discussions in the report related to "grain bulletins." These price information publications were issued on a daily basis by a number of market report agencies; their critics alleged that they were used for mandating prices and for blunting competition. "The Commission is in possession of hundreds of letters," the authors wrote, "which clearly evidence either agreements as to country prices, grades, dockages, etc., or else such harmonious and cooperative action with reference to these matters as would bring about practically the same elimination of competition as could be secured by more specific agreements."

There were several Cargill letters among these, and they were duly printed in the report. They depicted a strong link between the publishers and the companies, with the companies bringing prices into line between and among themselves. For example, in September 1915, the Minneapolis office of Cargill wrote the *Grain Bulletin* (the most important of the services) as follows: "Dear Sir: Herewith, letter from Mr. Nelson, agent, Farmers Elev. Co., Litchfield, Minnesota, giving you basis of price he wants the Litchfield list made on." Another letter two years later, also to the *Grain Bulletin*, listed prices for all of the individual units on the North Dakota part of the line; for example, "Stirum, N.D.—2¢ over everything, account the Farmers" and "Dresden—2¢ over on wheat and oats and 3¢ over on durum, account the Independent and Dresden Elev. Co."[21]

Due to John Sr.'s growing public involvement, he wrote frequently to the FTC and a wide range of people in the grain trade. For example, the authors of the report had elaborated on the iniquities of the private wire system, particularly when it was used by speculative customers: "The gravamen of the complaint against the private wires is that they open offices in a small town, and that the moral effect upon the small town is bad. . . .

It is clear that their presence does stimulate speculation." MacMillan agreed that this was a misuse of the wire system, but wanted to be certain that legitimate uses would still be maintained. He wrote one of the members of the industry on February 21, 1921: "It is entirely unnecessary for the Minneapolis market to defend the private wirehouse evil. These private wirehouses are practically all owned and controlled from Chicago and operate in the interest of that market. This market has always felt that that was an evil which should be eliminated. There is no reason why these small towns require such service and it does induce speculation by an incompetent class of people." Firms with their own private wire systems had a significant competitive advantage—they could make decisions more quickly. The FTC report did suggest that the Chicago Board of Trade develop a "public" system but recognized that the private systems were a legitimate competitive mechanism.

Most of the time, John Sr. appeared skeptical of the FTC as an agency. For example, he wrote one of the agricultural publishing company executives: "I have seen something of the workings of the Federal Trade Commission. . . . I know from observation and experience that it is human nature when placed in a position of power to attempt to carry out preconceived ideas and when making investigations to try to make the facts which they observe conform to these theories even at the expense of distorting the facts or neglecting to observe them at all."

His experience with World War I controls had strengthened his belief that government intrusion was bad. "I am very fearful of government control or government management in any form and I would rather see these problems work themselves out thru excessive competition rather than to attempt to work them out by means of government control, for I know of nothing that is so deadening to the spirit of initiative."[22]

Futures and Speculation

John Sr. was especially critical of the most controversial of all of the sections of the FTC report, that relating to futures trading. Hostility toward futures trading continued unabated during the war. Futures contracts, banned during the hostilities, were reintroduced after the Armistice. There was just as much vitriol against them as previously. Both their critics and their defenders were prone to excessive and misleading arguments; the respected economist (and outspoken critic of business) Samuel Untermyer captured this anomaly in a widely quoted speech given at the American Economic Association meetings in 1914:

> There had been so much of honest misunderstanding, senseless hysteria, and ignorant, demagogic denunciation of the Stock Exchanges on the one hand, and on the other such a long, unbroken record of intemperate and misleading propaganda by the interested champions of the Exchange to justify the abuses of the system and its irresponsible form of organization, and such persistent misrepresentation of its critics, that it is a positive relief to find oneself in an atmosphere where the subject will receive the judicial treatment that its commanding public importance demands.[23]

So it was inevitable that the FTC report would allocate significant coverage to this subject. Three full volumes (the first published in 1920, the second in 1924 and the third in 1926) were devoted almost completely to this subject, some 1,140 pages of meticulous detail.

The FTC authors began with a thoroughgoing historical description of futures; in the process, they made a careful distinction, one that was not always adhered to in practice, between the broader word "futures" as a generic term and the narrower "options," relating specifically to the "put-and-call" mechanism. The latter was, and is, considered a more speculative instrument; indeed, from the mid-1930s until the early 1980s, the option contract in agricultural commodities was not allowed to be traded in the exchanges. Most people discussing the issue in the 1920s used the term "options" in its broader futures-contract sense.

When the FTC authors began to address the futures-trading techniques of the early 1920s, they put strong emphasis on the potential for corners and the central role of futures contracts in these. In the report, the corner of "Old Hutch" in 1885, the famous Leiter corner of 1897–1898 and the Patten corner of 1913 were resurrected, and a litany of "more recent" cases (September corn, 1920; May wheat, 1921; July rye, 1921; May wheat, 1922) was elaborated.[24]

The May 1922 case involved the renowned speculator Arthur Cutten. As a long, he was almost at the point of accomplishing a corner when he was defeated by executives of Armour Grain Company (the biggest shorts), who persuaded the Chicago Board of Trade to allow delivery of wheat in rail cars on track. Cutten had counted on the limited amount of storage in the "regular" terminals in Chicago (these had to be officially so designated by the CBOT) as the cornerstone of his plan; now the CBOT failed him by declaring the rail cars "regular," too.

The FTC examiners spent many hours researching Cutten's aborted effort, so fresh in everyone's mind. Yet when it came time for the FTC to make judgments about futures contracts and their alleged influence on corners, the authors were able to say only that "the Commission draws no conclusions and makes no recommendations."[25]

Congress had taken a more proactive attitude, however, and in mid-1921 had begun to debate a futures-trading proposal, popularly known as the Capper-Tincher bill (its promoters were both strongly pro-farmer Congressmen from Kansas, Senator Arthur Capper and Representative J. M. Tincher). Their bill proposed to discourage speculative transactions by a

tax on grain sold for future delivery, except under certain constraints. The Secretary of Agriculture was to enforce it.

John Sr. was thrust right into the middle of this debate, having just been elected president of the Minneapolis Chamber of Commerce. The involvement of the Secretary troubled John Sr. very much; he wrote John Jr. in June 1921, "With all the power granted the Secretary of Agriculture and the entire lack of power granted the Grain Exchanges themselves, you will see that this bill would be quite unworkable." All futures transactions were to be reported to the Secretary of Agriculture. Not only would this be expensive, John Sr. averred, but "these records then become available to any employee of the Department of Agriculture or the Department of Justice, who could make public any of these facts at any time they may see fit. You can scarcely imagine any speculator wanting his transactions made public. . . . Speculation in grain would become so distasteful that all speculatively inclined people will turn their attention to other things. . . . This would be bound to narrow the market."

John Sr. began writing congressmen, senators and members of the industry that the Capper-Tincher proposals were unsound. His diplomacy in these endeavors was impressive; for example, he wrote Representative Tincher a detailed, seven-page, single-spaced letter delineating the grounds for his opposition, then ended with a conciliatory paragaraph, "I have been very much impressed with the understanding which you have shown of the general problem covered in the Bill and particularly in reference to the changes as compared to previous bills which you have introduced. I am quite sure that you now have in your mind a Bill which, if it could be interpreted—as I believe you expect it to be interpreted—would be entirely workable and agreeable to practically all of the conservative and substantial members of the grain exchanges."

The bill as it evolved did not contain many of the changes that the grain traders wanted. It passed through Congress, and the President signed it in late summer of 1921. The Grain Futures Trading Act did indeed contain the provision appointing the Secretary of Agriculture as watchdog. There was such an outcry about this that the then-Secretary, Henry Cantwell Wallace, felt it wise to put out a bulletin, under the title "Legitimate Trading and Speculation Not Interfered With," that explicitly affirmed that "futures trading can be continued without interruption."

The Chicago Board of Trade challenged the Act in the courts, and in May 1922, the Supreme Court ruled that the section of the Act that levied the tax was unconstitutional. Capper immediately instituted new provisions ("precipitating the grain trade from the frying pan into the fire," lamented the *Northwestern Miller*), and in September 1922, the amended Grain Futures Act was passed. The Chicago Board of Trade tested this second effort in the courts, too, but this time the legislation cleared the

To avoid becoming public charges.

Ding Darling, September 21, 1923 (by permission of the University of Iowa Libraries [Iowa City]).

Supreme Court with no change. The CBOT, making the best of the situation, promised that "every provision of the Act will be strictly conformed to," and with bluff optimism continued, "American grain exchanges have now been given the stamp of approval. We feel that this action will tend to encourage the grain trade into great use of the future trading system for hedging and for commercial price insurance purposes." The *Northwestern Miller*, realist as always, noted, "President John J. Stream, of the Chicago Board of Trade, has shown that he takes defeat with the cheerfulness of a sportsman, and that he is wise enough to recognize the good features of a difficult situation. . . . This is the only rational way to face the situation, and the grain trade as a whole may well profit by Mr. Stream's wise example."[26]

That was more or less the way it turned out. The law did not decimate the exchanges, nor did it constrain the regular uses of the futures markets

for hedging purposes, which would have been a very severe blow to the industry. The law did require stringent reporting procedures on the part of both the exchanges and their individual members on a wide range of trading practices. Individual positions of traders, in particular, were to be reported. If the Secretary of Agriculture's surveillance disclosed practices that threatened the stability of the market, especially by control or manipulation of prices, action could be taken to forestall them.

Secretary Wallace administered the law judiciously, despite John Sr.'s apprehension of letting trading secrets out. Wallace's biographers noted: "While the Agriculture Department's regulation of the grain trade failed measurably to improve the agricultural situation, it at least served to repudiate the conspiracy theory. . . . Manipulation proved to be much less widespread than excited grain farmers had imagined, and, as the few offenders were ferreted out, there was no noticeable effect on prices. Like other popular analyses of the agricultural crisis, the conspiracy theory merely clouded the issue and prevented farmers from seeing the real causes of their difficulties."

There remained a pronounced hostility within the industry against any form of governmental regulation—in truth, it was accepted only grudgingly. Yet just seven years later, in October 1930, there was renewed tension when the Russians entered the Chicago Board of Trade with large short selling of over 7.7 million bushels of wheat as hedges against sales of cash wheat in Europe. The industry feared the Russians were close to "dumping" and destabilizing the market. The Soviets were attempting at the time to sell their surplus wheat to gain foreign exchange. Then there was a demand for futures market regulations to prevent, as the *Northwestern Miller* put it, the "financial, political and economic outlaw" from using "devious means to break down the governments of other nations." Some people saw the inconsistency of the free-traders advocating controls![27]

Public Roles, Private Philanthropy

John MacMillan, Sr.'s involvement in national issues continued. The National Association of Grain Dealers held its annual convention in October 1923, in the midst of all of this legislative ferment. There were a number of speeches at the meetings, affirming the role of the middlemen, decrying the "class legislation" and questioning the role of the cooperatives. In the previous year another Arthur Capper effort, the Cooperative Marketing Act (popularly known as the Capper-Volstead Act) had exempted cooperatives from the operations of the antitrust laws and given them other special benefits. John Sr. made a major address at this session, a piece he called "Grain Financing in the Northwest." Written in an educational mode, it contrasted with the other speeches in containing few polemics and gained John Sr. much recognition.

John Sr. also was a delegate to the National Wheat Conference, held in mid-1923, representing the Minneapolis Chamber of Commerce (the grain exchange). The governors of seven states, two United States senators and a number of agricultural leaders had jointly mounted this effort. John Sr. wrote John Jr. upon his return in late June 1923, "The meeting adopted a set of resolutions, which of course endorsed cooperative marketing, but were quite harmless as far as any permanent result is concerned." John Sr. still did not seem to grasp the burgeoning importance of the cooperatives.

All of this was part of a heightened ferment in agriculture. The farmers, in particular, remembering their rewards under government-mandated prices in World War I, continued to want more direct intervention by the government in the price process. Commissions investigated "the wheat problem," papers were written on "orderly marketing" and, inevitably, more legislation was proposed.

The most striking of all legislative proposals in the early 1920s were the several bills proposed by Senator Charles L. McNary of Oregon and Representative Gilbert N. Haugen of Iowa. These bills had been inspired by the earlier George Peek–Hugh S. Johnson book on "equality in agriculture," which emphasized protective tariffs and diversion of surplus to a subsidized export market. McNary and Haugen first put their new version forward in 1924; it was defeated in the House of Representatives when Western farm interests failed to muster adequate support. It was reintroduced and defeated in 1926, then passed by both Senate and House in 1927 but vetoed by President Calvin Coolidge later that year.[28]

Along with these public activities of John Sr. and the Cargill Elevator Company, generally involving partisan grain trade positions, there also were moderate philanthropic efforts both by John Sr. as an individual and by the Company. Back in 1911, when the building campaign was mounted for an art museum, a banquet for 175 guests produced "$335,500 in 90 minutes," the *Minneapolis Tribune* reported. The pledges were sparked by William H. Dunwoody's gift of $100,000. John MacMillan was there too and pledged $1,000. Most local nonprofit groups received token amounts from the Company, but the YMCA and the Minneapolis Society of Fine Arts were more substantially supported. There were contributions to national efforts, too. In 1914, Belgian Relief received $100; in 1917 the American Red Cross "War Fund," $5,000; and in 1920 the European Relief Fund, $500 (but when the Company was asked in 1928 to support the Mount Rushmore Foundation, just beginning the collosi heads of the four presidents, John Sr. declined with vehemence: "I am entirely out of sympathy . . . a desecration of the national scenic beauty of the Black Hills . . .